



FORM 10-K

ADVANCED MICRO DEVICES INC - amd

Filed: March 14, 2003 (period: December 29, 2002)

Annual report which provides a comprehensive overview of the company for the past year

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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 29, 2002

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
(State or other jurisdiction of incorporation or organization)

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

One AMD Place, Sunnyvale, California
(Address of principal executive offices)

94086
(Zip Code)

(408) 732-2400
(Registrant's telephone number, including area code)

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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock held by non-affiliates based on the closing price on March 3, 2003 (\$5.37), as reported on the New York Stock Exchange:

\$1,856,334,749

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

345,686,173 shares as of March 3, 2003

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 1, 2003, are incorporated into Part II and III hereof.

AMD, Advanced Micro Devices, AMD Athlon, AMD Duron, AMD Opteron, QuantiSpeed, 3DNow!, Am1772 and MirrorBit are either our trademarks or our registered trademarks in the United States and/or other jurisdictions. Vantis is a trademark of Lattice Semiconductor Corporation. Legerity is a trademark of Legerity, Inc. Microsoft, Windows, Windows NT and MS-DOS are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other jurisdictions. MIPS is a registered trademark of MIPS Technologies, Inc. in the United States and/or other jurisdictions. Other terms used to identify companies and products may be trademarks of their respective owners.

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PART I

ITEM 1. BUSINESS

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report include forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstance reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates,” or “anticipates” or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; gross margins; adequacy of resources to fund operations and capital investments; our ability to achieve cost reductions in the amounts and in the timeframes anticipated; our ability to transition new product introductions effectively; our ability to produce microprocessors in the volume required by customers on a timely basis; our ability to maintain average selling prices of microprocessors despite aggressive marketing and pricing strategies of our competitors; our ability to introduce in a timely manner and achieve market acceptance for our eighth-generation microprocessors and produce them in the volumes required by the market at acceptable yields; our ability, and the ability of third parties, to provide timely infrastructure solutions, such as motherboards and chipsets, to support our microprocessors; a recovery in the economy leading to increased demand for our products; a recovery in the communication and networking industries leading to an increase in the demand for Flash memory products; the effect of foreign currency hedging transactions; the process technology transitions in our submicron integrated circuit manufacturing facilities located in Dresden, Germany (Fab 30) and Austin, Texas (Fab 25); and the financing and further construction of the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see the “Financial Condition” and “Risk Factors” sections set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 15 below and such other risks and uncertainties as set forth below in this report or detailed in our other Securities and Exchange Commission reports and filings.

General

We are a semiconductor manufacturer with manufacturing facilities in the United States, Europe and Asia and sales offices throughout the world. We design, manufacture and market industry-standard digital integrated circuits, or ICs, that are used in many diverse product applications such as personal computers, workstations, servers, communications equipment and automotive and consumer electronics. Our products consist of microprocessors, Flash memory devices and personal connectivity solutions.

We were incorporated under the laws of Delaware on May 1, 1969. Our mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94086, and our telephone number is (408) 732-2400. Unless otherwise indicated, references in this report to “AMD,” “we” and “us” include our subsidiaries. We make our filings with the SEC available on the Investor Relations page of our website, “www.amd.com,” free of charge.

For financial information about geographic areas and for segment information with respect to sales, operating results and identifiable assets, refer to the information set forth in Note 9 of our consolidated financial statements on page 63 below.

For a discussion of the risk factors related to our business operations, please see the “Cautionary Statement Regarding Forward-Looking Statements” above, and the “Risk Factors” and “Financial Condition” sections set

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forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 15 below.

The IC Industry

The IC market has grown dramatically over the past decade, driven primarily by the demand for electronic business and consumer products. Today, virtually all electronic products use ICs, including personal computers, or PCs, and related peripherals, wired and wireless voice and data communications and networking products including cellular phones, 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. We participate in the market for digital ICs. The three types of digital ICs used in most electronic systems are:

- microprocessors, which are used for control and computing tasks, and complementary chipset devices, which perform essential logic functions that support the microprocessors;
- memory circuits, which are used to store data and programming instructions; and
- logic circuits, which are employed to manage the interchange and manipulation of digital signals.

Within the digital IC market, we primarily participate in the microprocessor and Flash memory device markets. In addition, we participate in the emerging system-on-a-chip, or SoC, embedded processor market for personal connectivity devices.

The Microprocessor Market

A microprocessor is an IC that serves as the central processing unit, or CPU, of a computer system. It generally consists of millions of transistors that process system data and control other devices in the system, acting as the brain of the computer. The performance of a microprocessor is typically the most critical factor impacting the performance and efficiency of a PC and other similar devices. One indicator of microprocessor performance is work-per-cycle, or how many instructions are executed per cycle. The second indicator of performance is its clock speed, the rate at which its internal logic operates, which is measured in units of hertz, or cycles processed per second. Other factors in microprocessor performance include memory storage and access speed. Developments in circuit design and manufacturing process technologies have resulted in dramatic advances in microprocessor performance over the past two decades.

Improvements in the performance characteristics of microprocessors and decreases in production costs resulting from advances in process technology have increased the demand for microprocessors over time. The greatest demand for microprocessors today is from PC manufacturers. With few exceptions, these manufacturers require x86 microprocessors that are compatible with the Microsoft® Windows® operating system. Factors which we believe are expected to stimulate growth include an anticipated replacement cycle for older PC systems, lower-priced PC systems, enhanced product features and improved economic conditions.

The microprocessor market is characterized by intense competition, with rapid advances in product design and process technology driving short product life cycles and rapid product obsolescence. Intel has dominated the market for microprocessors used in PCs for many years.

The Memory Market

Memory ICs store data and instructions and are characterized as either volatile or non-volatile. Volatile devices lose stored information after electrical power is shut off while non-volatile devices retain stored information after electrical power is shut off. Volatile memory ICs primarily consist of Dynamic Random Access Memory, or DRAM, devices and Static Random Access Memory, or SRAM, devices. Non-volatile memory ICs

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include Flash memory, Read-Only Memory (ROM), Erasable Programmable Read-Only Memory (EPROM) and Electrically Erasable Programmable Read-Only Memory (EEPROM) devices.

We primarily produce Flash memory devices. We also sell a very limited number of EPROM devices as sales of EPROM devices have been steadily declining for the past few years as customers switch over to Flash memory devices. Several factors have contributed to an increasing demand for memory devices in recent years, including the:

- increasing use and functionality of cellular phones;
- increasing use of PCs to perform memory-intensive graphics and multimedia functions;
- volume of memory required to support faster microprocessors;
- proliferation of increasingly complex PC software; and
- increasing performance requirements of workstations, servers and networking and telecommunications equipment.

The Flash memory market has grown significantly over the past five years. Flash memory devices have a size and cost advantage over EEPROM devices, which utilize a larger, more expensive memory cell. Flash memory devices also provide greater flexibility and ease of use when compared to other non-volatile memory devices, such as ROM and EPROM, because Flash memory devices can be electrically rewritten to update parameters or system software. ROM devices cannot be rewritten and EPROM devices require information to be erased using ultraviolet light before they can be rewritten. Flash memory devices can be used to provide storage of control programs and system-critical data in communication devices such as cellular telephones and routers. 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. Flash memory devices are also used in PC cards. PC cards are inserted into notebook and sub-notebook computers or personal digital assistants, or PDAs, to provide added data storage.

The Personal Connectivity Markets

We are entering the system-on-a-chip, or SoC, embedded microprocessor market for personal connectivity devices. Embedded processors are general purpose devices typically used in products with a single or a limited number of applications. These products have limited user interface and programmability. We are targeting personal connectivity devices in four main product segments: computing devices such as smart handheld devices, web pads, thin clients and PDAs; access devices such as gateways, routers and access points; entertainment devices such as set-top-boxes, portable gaming and music devices; and automotive driver information devices such as in-car navigation and entertainment systems. The applications software running on these devices typically requires highly integrated SoCs that have high performance, low power embedded microprocessors.

Reporting Segments

In 2002, we participated in the digital IC market through our Core Products and Foundry Services segments. Our Core Products segment consists of our microprocessor products, memory products and other IC products. In 2002, microprocessors included our AMD Athlon™ and AMD Duron™ microprocessors. Memory products included Flash memory devices and EPROM devices. Other IC products included embedded processors, platform products, which primarily consist of chipsets, and networking products. Our Foundry Services segment consisted of fees from Legerity, Inc., our former voice communication products subsidiary, and Vantis Corporation, our former programmable logic devices subsidiary, for products sold to them. We sold Legerity in 2000 and Vantis in 1999. In June 2002, we closed the fabrication facility where we manufactured products for Legerity and Vantis, although we continued to sell products to them that we manufactured before the facility closed. In 2003, we do not expect any further sales to Legerity. We may continue to sell products to Vantis through the third quarter of 2003.

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Core Products

Our Core Products segment (\$2.663 billion, or 99 percent, of our 2002 net sales) includes microprocessor, memory and other IC products.

PC Processors

In 2002, most of our microprocessor product sales were from our seventh-generation x86 Microsoft Windows[®] compatible AMD Athlon and AMD Duron microprocessors. We based AMD Athlon and AMD Duron microprocessors on superscalar RISC, or reduced instruction set computer, architecture. RISC architecture allows microprocessors to perform fewer types of computer instructions thereby allowing the microprocessor to operate at a higher speed. We also designed our AMD Athlon and AMD Duron microprocessors to be compatible with operating system software such as Windows XP, Windows 2000, Windows NT[®], Windows 98 (and Windows predecessor operating systems), Linux, NetWare[®] and UNIX.

Historically, each generation of x86 microprocessors has improved both in terms of architectural performance or instructions per clock cycle, and frequency, also referred to as “clock speed.” In October 2001, we introduced the AMD Athlon XP processor for high performance desktop computers. The AMD Athlon XP processor family features QuantiSpeed[™] architecture for rapid execution of applications and 3DNow![™] Professional technology to enhance digital multimedia performance. With the introduction of the AMD Athlon XP processor, we began positioning our processors based on overall performance, which is a function of both architecture and frequency measured in megahertz. We believe overall performance is a better indicator of CPU capability than simply raw megahertz or clock speed. Since frequency cannot be solely relied upon as a measure of system performance, we quantify our overall performance in terms of model numbers to position our products against comparable Intel products designated only by their clock speed.

We currently offer products for the desktop PC, mobile computing, server and workstation markets. Our x86 microprocessors for the desktop PC market consist of the AMD Athlon XP processor and the AMD Duron processor. Our x86 microprocessors for the mobile computing market consist of the mobile AMD Athlon XP, the mobile AMD Athlon 4 and the mobile AMD Duron processors. Our AMD Athlon MP products focus on the server and workstation markets.

We plan to begin shipping our eighth-generation microprocessors in 2003. These processors include AMD Opteron[™] processors for the server and workstation markets, which we plan to introduce in April 2003, and AMD Athlon 64 processors for the desktop and mobile markets, which we plan to introduce in September 2003. These processors are 64-bit processors that are fully compatible with, and increase the performance of, existing 32-bit software. These processors support HyperTransport technology, which is a high bandwidth communications interface we invented, and have integrated memory controllers that enable substantially higher performance than existing, non-integrated memory controller architectures. We expect our advanced architecture to provide users with even greater performance improvements as operating systems and software applications begin leveraging the benefits of our 64-bit architecture. To that end, we announced in April 2002 that we are collaborating with Microsoft to incorporate 64-bit support for our AMD Opteron and AMD Athlon 64 processors in the Windows operating system. We believe that the backward compatibility of these processors will allow migration from current 32-bit operating systems and applications to future 64-bit operating systems and applications on a common hardware platform.

Increasing microprocessor product revenues in 2003 depends on our ability to maintain or increase average selling prices for our microprocessors, growth in unit shipments of our PC processors, our ability to introduce in a timely manner and achieve market acceptance for our AMD Opteron and AMD Athlon 64 processors and increasing market acceptance of the newest versions of the AMD Athlon microprocessors.

The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new

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process technologies at a fast pace and offer higher-performance microprocessors in significantly greater volumes. We also must achieve manufacturing yield and volume goals while producing these higher-performance microprocessors in order to offer these products at competitive prices.

Intel has dominated the market for microprocessors used in PCs for many years. As a result, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the market requires of Intel's competitors. In addition, the financial strength of Intel allows it to market its products aggressively, target our customers and our channel partners with special incentives and to discipline customers who do business with us. These aggressive activities can result in lower limit sales and average selling prices for us and adversely affect our margins and profitability. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand and other marketing programs. As long as Intel remains in this dominant position, we may be materially and adversely affected by its:

- pricing and allocation strategies and actions;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and basic input/output system (BIOS) suppliers; and
- user brand loyalty.

We expect Intel to maintain its dominant position in the marketplace as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly expends substantially greater amounts on research and development than we do.

Intel also dominates the PC system platform. As a result, PC original equipment manufacturers, or OEMs, are highly dependent on Intel, less innovative on their own and, to a large extent, distributors of Intel technology. In marketing our microprocessors to OEMs, we depend on third-party companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and other components. In recent years, many of these third-party designers and manufacturers have lost significant market share to Intel or exited the business. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors, and Intel has significant leverage over their business opportunities.

To compete with Intel in the microprocessor market in the future, we intend to continue to form close relationships with third-party designers and manufacturers of chipsets, motherboards, graphics chips, BIOS software and other components. Similarly, we intend to expand our chipset and system design capabilities and to offer OEMs licensed system designs incorporating our processors and companion products. We cannot be certain, however, that our efforts will be successful.

We do not currently plan to develop microprocessors that are bus interface protocol compatible with Intel microprocessors because our patent cross-license agreement with Intel does not extend to microprocessors that are bus interface protocol compatible with Intel's sixth and subsequent generation processors. Thus, our current and future microprocessor products are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel will depend on our ability to ensure that PC platforms are designed to support our microprocessors. A failure of the designers and producers of motherboards, chipsets and other system components to support our microprocessor offerings would have a material adverse effect on us.

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Memory Products

Flash Memory Devices. Our Flash memory devices are used in cellular telephones, networking equipment and other applications that require memory to be non-volatile and electrically rewritten. Our products may be categorized into four main architectures consisting of conventional, MirrorBit™, performance and multi-chip packages.

Our conventional architecture serves the low-end value space of the Flash memory market. We continue to satisfy customer demand in this area with our Am29F and Am29LV product families. These products are typically used for their non-volatile storage as well as their ease of in-system re-programmability.

In 2002, we began shipping our new MirrorBit family of Flash memory devices, which uses a proprietary process technology to store two bits of data in a single memory cell. As a result, we believe that MirrorBit increases performance relative to traditional Flash memory architecture while operating at voltage levels equivalent to single-bit Flash memory devices. Our MirrorBit technology offers a significantly reduced cost structure and enables high-density devices without compromising device performance or reliability. We currently offer a family of MirrorBit products ranging from 16 Megabit through 128 Megabit, and we are currently sampling a 256 Megabit device. We expect to introduce a 512 Megabit device in 2003.

Our performance architecture serves the high-end space of the Flash memory market. We continue to address customer demands in this area with our simultaneous read/write architecture, our high performance burst and page mode products and our high performance dual operation devices. Burst denotes the amount of data sent or received in one intermittent operation, while a page is the group of memory cells that can be accessed as part of a single operation. These high performance features are needed for the feature-rich applications and data storage capability desired in these products. We intend to continue to address the growing performance requirements of this space by expanding our product offerings, improving our burst mode and page mode access speeds and widening the data signal transmission path or “data-bus” width.

Delivery of memory subsystems in multi-chip packages, or MCPs, is a major trend in the Flash memory business today. Currently, the largest consumers of Flash memory devices are mobile phone manufacturers. They are especially interested in MCPs due to the significant improvements possible in form factor and performance. We offer a broad portfolio of Flash memory MCPs across a range of densities to satisfy our customers’ particular needs. We intend to continue to develop products for this growing market.

We expect competition in the market for Flash memory devices to increase in 2003 and beyond as existing manufacturers introduce new products and industry-wide production capacity increases.

In 2002, all of our Flash memory devices were manufactured in Japan by Fujitsu AMD Semiconductor Limited (FASL), our joint venture with Fujitsu Limited, with additional devices produced under FASL’s foundry arrangements with us. We manufacture Flash memory devices for FASL in our fabrication facility in Austin, Texas, Fab 25.

Other ICs

Embedded Processors. In February 2002, we completed the acquisition of Alchemy Semiconductor, Inc., a company that designed, developed and marketed low-power, high-performance microprocessors for the non-PC Internet Appliance market. The Alchemy™ embedded processor products are now part of our Personal Connectivity Solutions, or PCS, products. Our Alchemy embedded processors, the Au processor family, are developed for personal connectivity devices such as PDAs, web tablets and portable and wired Internet access devices and gateways. Our Au processors involve high integration system-on-a-chip capability that enables multiple capabilities to be integrated on a single chip to provide greater product functionality and integration. All of these products have an architecture that provides a 32-bit MIPS® instruction set. They support Microsoft Windows, CE.NET, Linux, VxWorks and other operating systems. In 2002, we also continued to provide older-

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generation x86 microprocessors that have been modified to target embedded networking, telecom, PC peripheral and consumer electronics applications.

Wireless LAN Products. In November 2002, we announced our first product for the wireless local area network (WLAN) market, the Alchemy Solutions Wireless LAN Am1772™ chipset. These chipsets are designed for low power consumption, reduced additional components, compact design and increased battery life.

Platform Products. Our platform products include chipsets and motherboard reference design kits designed to support our microprocessors for use in PCs. The primary purpose of these products is to ensure that there is continued availability of chipset products to support AMD processors in the event of a supply gap from third-party providers. Such supply gaps can occur from time to time when a third-party manufacturer is unable to make chipset products available to the market at the same time that our microprocessor products are introduced.

Networking Products. Our networking products include logic devices that are used in the data communication and networking industry to establish and manage connectivity.

Our product portfolio encompasses the following local area network (LAN) products:

- home networking controllers and physical layer products;
- Ethernet controllers supporting the enterprise and small business networking areas;
- Ethernet physical layer and repeater products, which are used in enterprise and small business systems solutions; and
- Ethernet physical layer and switch products, which are used in enterprise, small business and telecommunication systems.

We do not intend to develop new networking products or to enhance our existing networking products.

Foundry Services

Our Foundry Services segment (\$34 million in sales, or one percent of our 2002 net sales) consists of fees for products sold to Vantis and Legerity. As described above, we no longer manufacture products for Legerity or Vantis, although we may continue to sell products previously manufactured to Vantis through the third quarter of 2003.

Research and Development; Manufacturing Technology

Manufacturing technology is a key determinant in the improvement of most semiconductor products. Each new generation of manufacturing process technology has resulted in products with greater performance. We have devoted significant resources in developing manufacturing process technologies used in the production of ICs. In order to remain competitive, we must continue to maintain our process technology leadership. In particular, we have made and continue to make significant investments in process technologies and in strategic relationships with industry leading companies relating to manufacturing process technology development. We may not realize our expected return on these investments if we fail to continue to gain market acceptance for our products, if the market for our microprocessor or Flash memory products should significantly deteriorate or if we are unable to realize the full benefits of our strategic relationships. In addition, if we are unable to remain competitive with respect to process technology, we will be materially and adversely affected.

Our efforts concerning process technologies are focused in two major areas: logic technology used for manufacturing our microprocessors and non-volatile memory technology used for manufacturing our Flash memory products. During 2002, we converted our microprocessor manufacturing from 180 nanometer process technology to 130 nanometer process technology. As of year-end 2002, all of our microprocessors were

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manufactured using our 130 nanometer process technology. Our manufacturing facility in Dresden, Germany (Fab 30) uses 130 nanometer manufacturing process to produce our most advanced microprocessors, including our AMD Athlon XP processor.

Flash memory device production at year-end 2002 was on 170, 250 and 350 nanometer process technologies. We are transitioning some of our Flash memory devices to production on 130 nanometer process technology in 2003.

In 2002, we entered into several strategic relationships with industry leading companies. Through these relationships, we intend our manufacturing facilities and processes to remain state-of-the-art, while improving our cost structure. For example, in December 2002, we changed our logic process development strategy and entered into an agreement with IBM to jointly develop new logic process technologies for use in future high-performance microprocessor products. As a result of this agreement, we are ramping down silicon processing associated with logic research and development in our Submicron Development Center (SDC) in Sunnyvale, California and will be moving this work to IBM's facility in East Fishkill, New York. In addition, in June 2002 we entered into a joint venture alliance with Infineon Technologies and Dupont Photomasks to construct and operate an advanced research and development and pilot line photomask facility in Dresden, Germany.

Our expenses for research and development were \$816 million in 2002, \$651 million in 2001 and \$642 million in 2000. These expenses represented 30 percent of sales in 2002, 17 percent of net sales in 2001 and 14 percent of net sales in 2000.

Competition

The IC industry is intensely competitive. Products compete on performance, quality, reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition and availability. 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.

In each area of the digital IC market in which we participate, we face competition from different companies. With respect to microprocessors, Intel holds a dominant market position. With respect to Flash memory products, our principal competitors are Intel, STMicroelectronics N.V., Sharp Electronics Corporation, Atmel Corporation, Samsung, Toshiba and Fujitsu, our joint venture partner in FASL. With respect to PCS products, our principal competitors are Broadcom, Hitachi, Intel, Intersil, Motorola, Texas Instruments and STMicroelectronics.

Manufacturing Facilities

Our current IC manufacturing facilities are described in the chart set forth below:

Facility Location	Wafer Size (Diameter in Inches)	Production Technology (in Nanometers)	Approximate Clean Room (Square Footage)
Austin, Texas Fab 25	8	130 and 170	120,000
Aizu-Wakamatsu, Japan FASL JV1 ⁽¹⁾	8	350	70,000
FASL JV2 ⁽¹⁾	8	250 and 350	91,000
FASL JV3 ⁽¹⁾	8	130 and 170	118,000
Dresden, Germany Fab 30	8	130	115,100

⁽¹⁾ We own 49.992 percent of FASL. Fujitsu owns 50.008 percent of FASL.

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We also have foundry arrangements for the production of certain of our products.

Research and development is conducted at our SDC, a 42,000 square-foot facility located in Sunnyvale, California. In addition, some development work takes place at our Fab 25 and Fab 30 manufacturing facilities. In 2003, we expect that silicon processing associated with research and development for logic process technologies will move to IBM's New York facility. Research and development with respect to our non-volatile memory technology used for manufacturing our Flash memory products will continue to be conducted at our SDC.

Our current assembly and test facilities are described in the chart set forth below:

Facility Location	Approximate Assembly & Test Square Footage	Activity
Penang, Malaysia	310,000	Assembly & Test
Bangkok, Thailand	78,000	Assembly & Test
Singapore	234,000	Test
Suzhou, China	30,250	Assembly & Test

As set forth above, nearly all product assembly and final testing of our products are performed at our facilities in Penang, Malaysia; Bangkok, Thailand; Suzhou, China and Singapore; or by subcontractors in the United States and Asia. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers and have international sales operations. The political and economic risks associated with our operations in foreign countries include:

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- difficulty in protecting our intellectual property;
- changes in foreign currency exchange rates and currency controls;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities; and
- loss or modification of exemptions for taxes and tariffs.

Certain Material Agreements. Descriptions of certain material contractual relationships we have relating to FASL and Fab 30 are set forth on page 26 below. A description of our contractual relationship with IBM is set forth on page 8 above.

Marketing and Sales

Our products are marketed and sold under the AMD trademark. We employ a direct sales force through our principal facilities in Sunnyvale, California, and field sales offices throughout the United States and abroad, primarily Europe and Asia Pacific. We also sell our 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 our competitors. No OEM customer accounted for more than ten percent of net sales in 2002 and 2001. In 2000, one of our OEMs, Compaq, accounted for approximately 11 percent of net sales. No distributor accounted for ten percent or more of net sales in 2002, 2001 and 2000.

We intend to build upon our position as a global supplier of integrated circuits for the personal and networked computer and communications markets by expanding our focus to include emerging markets such as China, India, Russia and Latin America. In particular, in 2002, we focused on expanding our participation in

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China's microprocessor, embedded processor and Flash memory markets. For example, in the fourth quarter of 2002, we signed a research and development joint venture agreement with China Basic Education Software Company, Ltd., to develop hardware platforms for China's information technology education market.

Distributors typically maintain an inventory of our products. Generally, we sell to distributors under terms allowing the distributors certain rights of return and price protection on any inventory of our products held by them. The price protection and return rights we offer to our distributors could materially and adversely affect us if there is an unexpected significant decline in the price of our products.

In 2002, approximately 72 percent of our sales were outside North America. Our 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 we use in the manufacture of our products are available from a limited number of suppliers. For example, we are dependent on key chemicals from a limited number of suppliers and rely on a few foreign companies to supply the majority of certain types of the IC packages we purchase. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we were unable to procure certain of these materials, we might have to reduce our manufacturing operations. Such a reduction could have a material adverse effect on our business. To date, we have not experienced significant difficulty in obtaining the raw materials required for our manufacturing operations.

Environmental Regulations

Our business involves the use of hazardous materials. If we fail to comply with governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in our manufacturing processes, we may be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations. Such regulations could require us to procure expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business. Violations of environmental laws may result in criminal and civil liabilities.

Intellectual Property and Licensing

We have been granted over 5,300 United States patents and have several thousand patent applications pending in the United States. In certain cases, we have filed corresponding applications in foreign jurisdictions. We expect to file future patent applications in both the United States and abroad on significant inventions, as we deem appropriate.

In May 2001, we signed a 10-year cross-license agreement with Intel Corporation. In addition, we have entered into numerous cross-licensing and technology exchange agreements with other companies under which we both transfer and receive technology and intellectual property rights. Although we attempt to protect our intellectual property rights, in the United States and abroad, through patents, copyrights, trade secrets and other measures, we may not be able to adequately protect our technology or other intellectual property or prevent others from independently developing similar technology. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented, or rights granted thereunder may not provide a competitive advantage to us. Further, patent applications that we file may not be issued. Despite our efforts to protect our rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to cost-effectively monitor compliance with, and enforce, our intellectual property rights on a worldwide basis.

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From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that all necessary licenses can be obtained on satisfactory terms, or at all. We could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on us. We cannot assure you that litigation related to the intellectual property rights of us or others will always be avoided or successfully concluded.

Backlog

We manufacture and market standard lines of products. Consequently, a significant portion of our 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 orders or agreements may be revised or canceled without penalty. Generally, in light of current industry practice and experience, we do not believe that such agreements provide meaningful backlog figures or are necessarily indicative of actual sales for any succeeding period.

Employees

On February 23, 2003, we employed approximately 12,146 employees, none of whom are represented by collective bargaining arrangements. We believe that our relationship with our employees is good.

ITEM 2. PROPERTIES

Our principal engineering, manufacturing, warehouse and administrative facilities comprise approximately 4.4 million square feet and are located in Sunnyvale, California; Austin, Texas; and Dresden, Germany. Over 3.1 million square feet of this space is in buildings we own.

We have an operating lease on property containing two buildings with an aggregate of approximately 364,000 square feet, located on 45.6 acres of land in Sunnyvale, California (One AMD Place). This operating lease ends in December 2018. In 2000, we renewed a lease agreement for approximately 175,000 square feet located adjacent to One AMD Place (AMD Square) to be used by the product groups as engineering offices and laboratory facilities. In 2003, our engineering groups will no longer use AMD Square. We are currently vacating AMD Square and attempting to sublease this space.

We also own or lease facilities containing approximately 1.4 million square feet for our operations in Malaysia, Thailand, Singapore and China. We lease approximately 15 acres of land in Suzhou, China for our assembly and test facility. We acquired approximately 115 acres of land in Dresden, Germany for Fab 30. Fab 30 is encumbered by a lien securing borrowings of AMD Saxony. Fab 25 in Austin, Texas is encumbered by a lien securing our Term Loan and Security Agreement dated September 27, 2002.

We lease 11 sales offices in North America, 12 sales offices in Asia Pacific, 8 sales offices in Europe and one sales office in South America for our direct sales force. These offices are located in cities in major electronics markets where concentrations of our customers are located.

Leases covering our facilities expire over terms of generally one to 20 years. We currently do not anticipate difficulty in either retaining occupancy of any of our facilities through lease renewals prior to expiration or through month-to-month occupancy, or replacing them with equivalent facilities. We are currently vacating and attempting to sublease space in Austin, Texas and, as noted above, in Sunnyvale, California.

ITEM 3. LEGAL PROCEEDINGS

Environmental Matters. We are named as a responsible party on Superfund clean-up orders for three sites. Since 1981, we have discovered, investigated and conducted remediation of three sites where hazardous material releases from former underground tanks at our 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 we no longer use) has been identified as a probable carcinogen.

In 1991, we received four Final Site Clean-up Requirements Orders from the California Regional Water Quality Control Board relating to the three sites. One of the orders named us as well as TRW Microwave, Inc. and Philips Semiconductors Corporation. In January 1999, we entered into a settlement agreement with Philips whereby Philips assumed costs allocated to us under this order, although we are responsible for these costs in the event that Philips does not fulfill its obligations under the settlement agreement. Another of the orders named us as well as National Semiconductor Corporation. In December 2001, we entered into a settlement agreement with National, pursuant to which National will take the lead for a period of time on certain groundwater remediation required under that order. We remain a responsible party for all purposes under the order and retain specific responsibilities.

The three sites in Santa Clara County are on the National Priorities List (Superfund). If we fail to satisfy federal compliance requirements, or inadequately perform the compliance measures, the government can (1) bring an action to enforce compliance or (2) undertake the desired response actions itself and later bring an action to recover its costs and penalties, which may be up to three times the costs of clean-up activities, if appropriate.

To address anticipated future remediation costs under the orders, we have computed and recorded an estimated environmental liability of \$3 million in accordance with applicable accounting rules and have not recorded any potential insurance recoveries in determining the estimated costs of the cleanup. Environmental charges to earnings has not been material during any of the last three fiscal years. We believe that the potential liability, if any, in excess of amounts already accrued will not have a material adverse effect on our financial condition or results of operation.

In 1998, the U.S. Environmental Protection Agency (EPA) identified us as one of hundreds of Superfund “potentially responsible parties” as a result of disposal of waste at a regulated landfill in Santa Barbara County, California that was later abandoned by its owners and designated as a Superfund site by the EPA. We have reached a settlement with the EPA, and the public notification, judicial review and issuance of a consent decree is pending. We believe that the settlement will not have a material adverse effect on our financial condition or results of operations.

Other Matters. We are a defendant or plaintiff in various other actions that 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 our business.

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

Our common stock (symbol "AMD") is listed on the New York Stock Exchange. On March 3, 2003, there were 8,064 registered holders of our common stock. We have never paid cash dividends on our stock and may be restricted from doing so pursuant to loan agreements that we entered into with several domestic financial institutions. See discussion in the "Notes Payable to Banks" section and the "September 2002 Loan Agreement" section set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 15 below. The high and low common stock prices per share were as follows:

	<u>High</u>	<u>Low</u>
Fiscal year ended December 30, 2001		
First quarter	\$ 30.15	\$ 14.13
Second quarter	34.65	18.73
Third quarter	30.20	7.80
Fourth quarter	18.62	7.69
Fiscal year ended December 29, 2002		
First quarter	\$ 20.60	\$ 12.63
Second quarter	15.30	7.95
Third quarter	10.88	5.20
Fourth quarter	9.60	3.10

The information under the caption, "Equity Compensation Plan Information," in our Proxy Statement for our Annual Meeting of Stockholders to be held May 1, 2003 (2003 Proxy Statement) is incorporated herein by reference.

During 2002, we made sales of our equity securities that were not registered under the Securities Act of 1933, as amended, in the form of 4.75% Convertible Senior Debentures Due 2022 that were issued and sold in a private offering. For more information, see "Financial Condition—4.75% Convertible Senior Debentures Due 2022" in Item 7 below.

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ITEM 6. SELECTED FINANCIAL DATA

Five Years Ended December 29, 2002
(Thousands except per share amounts)

	2002	2001	2000	1999	1998
Net Sales	\$ 2,697,029	\$ 3,891,754	\$ 4,644,187	\$ 2,857,604	\$ 2,542,141
Expenses:					
Cost of sales	2,105,661	2,589,747	2,514,637	1,964,434	1,718,703
Research and development	816,114	650,930	641,799	635,786	567,402
Marketing, general and administrative	670,065	620,030	599,015	540,070	419,678
Restructuring and other special charges	330,575	89,305	—	38,230	—
	3,922,415	3,950,012	3,755,451	3,178,520	2,705,783
Operating income (loss)	(1,225,386)	(58,258)	888,736	(320,916)	(163,642)
Gain on sale of Vantis	—	—	—	432,059	—
Gain on sale of Legerity	—	—	336,899	—	—
Litigation settlement	—	—	—	—	(11,500)
Interest and other income, net	32,132	25,695	86,301	31,735	34,207
Interest expense	(71,349)	(61,360)	(60,037)	(69,253)	(66,494)
Income (loss) before income taxes, equity in net income of joint venture and extraordinary item	(1,264,603)	(93,923)	1,251,899	73,625	(207,429)
Provision (benefit) for income taxes	44,586	(14,463)	256,868	167,350	(91,878)
Income (loss) before equity in net income of joint venture and extraordinary item	(1,309,189)	(79,460)	995,031	(93,725)	(115,551)
Equity in net income of joint venture	6,177	18,879	11,039	4,789	11,591
Income (loss) before extraordinary item	(1,303,012)	(60,581)	1,006,070	(88,936)	(103,960)
Extraordinary item—debt retirement, net of tax benefit	—	—	(23,044)	—	—
Net income (loss)	\$ (1,303,012)	\$ (60,581)	\$ 983,026	\$ (88,936)	\$ (103,960)
Net income (loss) per share:					
Basic—income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 3.25	\$ (0.30)	\$ (0.36)
Diluted—income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 2.95	\$ (0.30)	\$ (0.36)
Basic—income (loss) after extraordinary item	\$ (3.81)	\$ (0.18)	\$ 3.18	\$ (0.30)	\$ (0.36)
Diluted—income (loss) after extraordinary item	\$ (3.81)	\$ (0.18)	\$ 2.89	\$ (0.30)	\$ (0.36)
Shares used in per share calculation:					
Basic	342,334	332,407	309,331	294,577	287,796
Diluted	342,334	332,407	350,000	294,577	287,796
Long-term debt, capital lease obligations and other, less current portion	\$ 1,779,837	\$ 672,945	\$ 1,167,973	\$ 1,427,282	\$ 1,372,416
Total assets	\$ 5,619,181	\$ 5,647,242	\$ 5,767,735	\$ 4,377,698	\$ 4,252,968

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

The following discussion should be read in conjunction with the consolidated financial statements and related notes as of December 29, 2002 and December 30, 2001 and for each of the three years in the period ended December 29, 2002, which are included in this annual report.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. On an on-going basis, we evaluate our estimates, including those related to our investments, allowance for doubtful accounts, revenues, inventories, asset impairments, restructuring charges, income taxes, commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates or the results of our estimates may be affected by different assumptions or conditions.

We believe the following critical accounting policies relate to those policies that are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments.

Investments in Debt and Equity Securities. We hold minority interests in companies having operations or possessing technology primarily in areas within our strategic focus, some of which are publicly traded and have highly volatile stock prices. We also make investments in marketable equity and debt securities. We record an investment impairment charge when we believe an investment has experienced a decline in value that is other-than-temporary. In determining if a decline in market value below cost for a publicly traded security or debt instrument is other-than-temporary, we evaluate the relevant market conditions, offering prices, trends of earnings, price multiples and other key measures providing an indication of the instrument's fair value. For private equity investments, we evaluate the financial condition of the investee, market conditions, trends of earnings and other key factors that provide indicators of the fair value of the investment. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss through a charge to interest income and other, net in the current period to the extent of the decline below the carrying value of the investment. Adverse changes in market conditions or poor operating results of underlying investments could result in additional other-than-temporary losses in future periods.

Allowance for Doubtful Accounts. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other accounts receivable due from customers, we recognize allowances for doubtful accounts based on the current business environment and our historical collection and write-off experience. If the financial condition of our customers were to deteriorate or if economic conditions worsened, additional allowances may be required in the future, resulting in additional charges to our operating results.

Revenue Reserves. We record a provision for estimated sales returns and allowances on product sales in the same period as the related revenues are recorded. We base these estimates on actual historical sales returns, allowances and other known factors. Actual returns and allowances could be different from our estimates and current provisions, resulting in future adjustments to our operating results.

Inventory Valuation. At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and projections of future demand.

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These projections assist us in determining the carrying value of our inventory, and are also used for near-term factory production planning. Inventories on hand in excess of forecasted demand of generally six months or less, are not valued. In addition, we write off inventories that are considered obsolete. Among other factors, management considers forecasted demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining obsolescence. Remaining inventory balances are adjusted to approximate the lower of our standard manufacturing cost or market value. If future demand or market conditions are less favorable than our projections, additional inventory write-downs may be required, and would be reflected in cost of sales in the period the revision is made. If in any period we are able to sell inventories that were not valued or that had been written off in a previous period, related revenues would be recorded without any offsetting charge to cost of sales, resulting in a net benefit to our gross margin.

Impairment of Long-Lived Assets. We consider no less frequently than quarterly whether indicators of impairment of long-lived assets are present. If such indicators are present, we determine whether the sum of the estimated undiscounted cash flows attributable to the assets in question is less than their carrying value. If less, we recognize an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals or other methods. If the assets determined to be impaired are to be held and used, we recognize an impairment loss through a charge to our operating results to the extent the present value of anticipated net cash flows attributable to the asset are less than the asset's carrying value, which we depreciate over the remaining estimated useful life of the asset. We may incur impairment losses in future periods if factors influencing our estimates change.

Restructuring Charges. We record and account for our restructuring activities following formally approved plans that identify the actions and timeline over which the restructuring activities will occur. Restructuring charges include estimates pertaining to employee severance and fringe benefit costs, facility exit costs, subleasing assumptions and facility and equipment decommissioning costs resulting from exiting certain facilities. Inherent in these estimates are judgments about employee relation matters, whether employees might leave earlier than expected, complexities associated with abandoning and decommissioning facilities, the amount of sublease income we will receive, if any, and the time period necessary to sublease vacant facilities. We review remaining restructuring accruals on a quarterly basis and adjust these accruals when changes in facts and circumstances suggest actual amounts will differ from our estimates. Although we do not anticipate significant changes, actual cost may be different than our original or revised estimates.

Deferred Income Taxes. We record a valuation allowance to reduce our net deferred tax assets to the amount that is more likely than not to be realized. We consider past performance, future taxable income and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In fiscal 2002, we recorded a valuation allowance against all of our deferred tax assets, net of deferred tax liabilities, based on past performance and the likelihood of realization of our deferred tax assets at this time. If we later determine that it is more likely than not that the net deferred tax assets will be realized, an appropriate amount of the previously provided valuation allowance will be reversed, resulting in a benefit to our earnings.

Commitments and Contingencies. From time to time we are a defendant or plaintiff in various legal actions, which arise in the normal course of business. We are also a party to environmental matters, including local, regional, state and federal governed cleanup activities at or near locations where we currently or have in the past conducted our business. We are also a guarantor of various third-party obligations and commitments. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required for these contingencies, if any, which would be charged to earnings, is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in circumstances, such as a change in settlement strategy. Changes in required reserves could increase or decrease our earnings in the period the changes are made.

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Results of Operations

In 2002, we operated in two reportable segments: the Core Products segment, which reflects the aggregation of the PC processor, memory products and Other IC products operating segments, and the Foundry Services segment. Our Core Products segment includes our PC processor products, Memory products and Other IC products. PC processor products include our seventh-generation microprocessors, the AMD Athlon and AMD Duron microprocessors. Memory products include Flash memory devices and Erasable Programmable Read-Only Memory (EPROM) devices. Other IC products include platform products, which primarily consist of chipsets, embedded processors, networking products and personal connectivity solutions products. Our Foundry Services segment consists of fees from Legerity, Inc. and Vantis Corporation. In 2000, our Voice Communications segment consisted of our voice communications products subsidiary, Legerity.

The following is a summary of net sales by segment for 2002, 2001 and 2000.

	2002	2001	2000
	(Millions)		
Core Products segment:			
PC Processors	\$ 1,746	\$ 2,419	\$ 2,337
Memory Products	741	1,133	1,567
Other IC Products	176	242	457
	2,663	3,794	4,361
Foundry Services segment	34	98	143
Voice Communications segment	—	—	140
Total	\$ 2,697	\$ 3,892	\$ 4,644

Net Sales Comparison for Years Ended December 29, 2002 and December 30, 2001

Total net sales of \$2,697 million decreased by 31 percent in 2002 compared to 2001.

PC processors net sales of \$1,746 million decreased by 28 percent in 2002 compared to 2001. This decrease was primarily due to a decrease in both unit sales and average selling prices, reflecting industry-wide weakness in PC sales. The decrease in unit sales also reflected the execution of our plan to align AMD PC Processor inventory in the supply chain with forecasted customer demand, reflecting our decision to limit shipments and accept receipt of product returns from certain customers. We expect PC processor sales in the first quarter of 2003 to increase as compared to the fourth quarter of 2002 based on sales of higher performance and higher priced products. Increasing PC processor sales levels in 2003 depends on our ability to maintain or increase average selling prices for our microprocessors, growth in unit shipments of our PC processors, our ability to introduce in a timely manner and market our AMD Opteron and AMD Athlon 64 processors and increasing market acceptance of the newest versions of the AMD Athlon processors.

Memory products net sales of \$741 million decreased by 35 percent in 2002 compared to 2001. The decrease was primarily due to a decrease in average selling prices reflecting continued weakness in the telecommunications and networking equipment industries. We expect memory products net sales in the first quarter of 2003 to remain flat as compared to the fourth quarter of 2002. Increasing memory products sales levels in 2003 depends on the degree of recovery of the telecommunications and networking equipment industries, continued growth in the mobile phone market, especially in high end mobile phones which require larger amounts of Flash memory, further penetration of the mobile phone market, and increased market acceptance of our MirrorBit Flash memory products.

Other IC products net sales of \$176 million decreased by 27 percent in 2002 compared to 2001. The decrease was due to decreased net sales of platform products, embedded processors and networking products as a result of the sustained market declines in the communications and networking equipment industries. We expect

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Other IC revenues in the first quarter of 2003 to continue to decline due to our decision to discontinue manufacturing certain of our embedded processor and networking products.

Foundry Services segment service fees of \$34 million decreased by 65 percent in 2002 compared to 2001. We expect that foundry services segment service fees will continue to decline in the first quarter of 2003 due to the termination of our foundry service arrangement with Legerity in the third quarter of 2002, and the termination of the foundry service arrangement with Vantis, which represented 18 percent of the total Foundry Services revenue in 2002, in the third quarter of 2003.

Net Sales Comparison for Years Ended December 30, 2001 and December 31, 2000

Total net sales decreased by \$752 million in 2001, or 16 percent, to \$3,892 million from \$4,644 million in 2000.

PC processors net sales of \$2,419 million increased by four percent in 2001 compared to 2000. This increase was primarily due to an increase in unit sales of our AMD Athlon and AMD Duron microprocessors, partially offset by a decline in average selling prices.

Memory products net sales of \$1,133 million decreased by 28 percent in 2001 compared to 2000. The decrease was primarily due to continuing weakness in the communications and networking equipment industries and excess inventories held by major customers.

Other IC products net sales of \$242 million decreased by 47 percent in 2001 compared to 2000. The decrease was due to decreased net sales of platform products, embedded processors and networking products as a result of the sustained market declines in the communications and networking equipment industries.

Foundry Services segment service fees of \$98 million decreased by 31 percent in 2001 compared to 2000. The decrease was primarily due to a significant reduction in demand for wafer fabrication services from Vantis, partially offset by an increase in overall service fees from Legerity.

There were no sales from Voice Communications segment in 2001. Voice Communications products contributed \$140 million to our 2000 net sales, prior to our sale of Legerity.

Comparison of Expenses, Gross Margin Percentage, Interest and Other Income, Net and Interest Expense

The following is a summary of expenses, gross margin percentage, and interest and other income, net and interest expense for 2002, 2001 and 2000:

	2002	2001	2000
	(Millions except for gross margin percentage)		
Cost of sales	\$ 2,106	\$ 2,590	\$ 2,515
Gross margin percentage	22%	33%	46%
Research and development	\$ 816	\$ 651	\$ 642
Marketing, general and administrative	670	620	599
Restructuring and other special charges	331	89	—
Gain on sale of Legerity	—	—	337
Interest and other income, net	32	26	86
Interest expense	71	61	60

We operate in an industry characterized by intense competition, rapid product development cycles and high fixed costs due to capital-intensive manufacturing processes, particularly the costs to build and maintain state-of-the-art production facilities required for PC processors and memory devices. As a result, our gross margin

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percentage is significantly affected by new product production costs, product demand and our ability to sell PC processors and memory devices that we manufacture at sustainable average selling prices.

Gross margin percentage decreased to 22 percent in 2002 compared to 33 percent in 2001. This decrease was primarily due to decreased sales of both PC processors and Flash memory devices as a result of lower unit demand and average selling prices, partially offset by cost savings realized from the closure of certain facilities pursuant to the 2001 restructuring plan (discussed below) and the reallocation of certain manufacturing resources to research and development activities for new microprocessor products.

Gross margin percentage decreased to 33 percent in 2001 compared to 46 percent in 2000. This decrease was primarily due to decreased sales of all our products caused by lower unit sales and average selling prices for Flash memory devices, networking products and embedded processors and lower average selling prices for PC processors.

Research and development expenses of \$816 million in 2002 increased 25 percent compared to 2001. This increase was primarily due to the reallocation of manufacturing resources, previously included in costs of goods sold, to research and development activities for new microprocessors. In addition, research and development expenses in 2002 included a \$42 million charge for amounts paid to a third party in exchange for product development services provided in connection with a discrete PC processor research and development project in the fourth quarter of 2002.

Research and development expenses and cost of sales in 2002 included the recognition of \$21.8 and \$37.5 million of deferred credits on foreign capital grants, interest subsidies and research and development subsidies that were received from the State of Saxony for Fab 30. In 2001, these credits totaled \$26.4 and \$35.5 million. In 2000, these credits totaled \$19.8 and \$34.3 million.

Research and development expenses of \$651 million in 2001 increased slightly compared to 2000. This slight increase was due to increased costs related to research and development activities for PC processors.

Marketing, general and administrative expenses of \$670 million in 2002 increased eight percent compared to 2001 primarily as a result of increased advertising and marketing expenses associated with the launch of our "AMD me" branding campaign.

Marketing, general and administrative expenses of \$620 million in 2001 increased four percent compared to 2000 primarily as a result of increased advertising and marketing expenses associated with our core products and the AMD Athlon XP processor launch, offset by the absence of Legerity expenses during 2001 as a result of its sale in 2000.

In December 2002, we finalized a restructuring plan (the 2002 Plan) to align our cost structure to current industry conditions resulting from weak customer demand and industry wide excess inventory. The 2002 Plan will result in the reduction of approximately 2,000 positions or 15 percent of our employees, affecting all levels of our workforce in almost every organization. As a result of our agreement with IBM, we are ramping down silicon processing associated with logic research and development in our SDC and will eliminate most of those related resources, including the sale or abandonment of certain equipment used in the SDC.

The 2002 Plan will also result in the consolidation of facilities, primarily at our Sunnyvale, California site and at sales offices worldwide. We are vacating, and attempting to sublease, certain facilities currently occupied under long-term operating leases. We have also terminated the implementation of certain partially completed enterprise resource planning (ERP) software and other information technology implementation activities, resulting in the abandonment of certain software, hardware and capitalized development costs.

Pursuant to the 2002 Plan, we recorded restructuring costs and other special charges of \$330.6 million, consisting primarily of \$68.8 million of anticipated severance and fringe benefit costs, an asset impairment

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charge of \$32.5 million relating to a license associated with discontinued logic process development activities that has no future use, asset impairment charges of \$30.6 million resulting from the abandonment of equipment previously used in logic process development and manufacturing activities, anticipated exit costs of \$138.9 million primarily to vacate and consolidate our facilities and \$55.5 million resulting from the abandonment of partially completed ERP software and other information technology implementation activities.

We began activities pursuant to the 2002 Plan during the fourth quarter of 2002, and expect to substantially complete the activities associated with the 2002 Plan by the end of June 2003. As of December 29, 2002, 929 employees were terminated pursuant to the 2002 Plan resulting in cash payments of \$14 million in severance and employee benefit costs.

The following table summarizes activities under the 2002 Plan through December 29, 2002:

	Severance and employee benefits	Asset impairment	Exit costs	Other restructuring charges	Total
			(Thousands)		
2002 provision	\$ 68,770	\$ 118,590	\$ 138,900	\$ 4,315	\$ 330,575
Q4 2002 non-cash charges	—	(118,590)	—	—	(118,590)
Q4 2002 cash charges	(14,350)	—	(795)	—	(15,145)
Accruals at December 29, 2002	\$ 54,420	\$ —	\$ 138,105	\$ 4,315	\$ 196,840

As a result of the 2002 Plan, we expect to realize overall cost reductions of \$350 million in 2003.

In 2001, we announced a restructuring plan (the 2001 Plan) due to the continued slowdown in the semiconductor industry, and a resulting decline in revenues. In connection with the plan, we closed Fabs 14 and 15 in Austin, Texas. These facilities supported certain of our older products and our Foundry Service operations, which have been discontinued as part of the plan. We also reorganized related manufacturing facilities and reduced activities primarily in Penang, Malaysia along with associated administrative support.

Pursuant to the 2001 Plan, we recorded restructuring costs and other special charges of \$89.3 million, consisting of \$34.1 million of anticipated severance and fringe benefit costs, \$13.0 million and \$3.2 million of anticipated exit costs to close facilities in Austin and Asia, mostly in Penang, and \$28.7 million and \$10.3 million of non-cash asset impairment charges in Austin and Asia, primarily Penang. The asset impairment charges related primarily to buildings and production equipment and have been incurred as a result of our decision to implement the plan. We substantially completed execution of the 2001 Plan by the end of 2002. As of December 29, 2002, 2,209 employees had been terminated pursuant to the 2001 Plan resulting in cash payments of approximately \$35.8 million for severance and employee benefit costs, of which \$1.7 million was included in current year results of operations. 720 of these positions were associated with closing Fabs 14 and 15. The balance of the reductions resulted from reorganizing activities, primarily in Penang, Malaysia, along with associated administrative support. In addition, the planned facilities closures had been completed as of December 29, 2002 and related decommissioning costs will be incurred over the next six months.

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The following table summarizes activity under the 2001 Plan through December 29, 2002:

	Severance and employee benefits	Facility and equipment impairment	Facility and equipment decommission costs	Other facilities exit costs	Total
	(Thousands)				
2001 provision	\$ 34,105	\$ 39,000	\$ 15,500	\$ 700	\$ 89,305
Cash charges	(7,483)	—	—	(54)	(7,537)
Non-cash charges	—	(39,000)	—	—	(39,000)
Accrual at December 30, 2001	\$ 26,622	\$ —	\$ 15,500	\$ 646	\$ 42,768
Cash Charges	(26,622)	—	(445)	—	(27,067)
Accrual at December 29, 2002	\$ —	\$ —	\$ 15,055	\$ 646	\$ 15,701

As a result of the 2001 Plan, we expect to realize overall cost reductions of \$129 million on an annualized basis. The actions taken to date resulted in actual savings of \$83 million in 2002.

We sold 90 percent of Legerity to Francisco Partners, L.P. for approximately \$375 million in cash, effective July 31, 2000. Prior to the sale, Legerity was a wholly owned subsidiary of AMD, selling voice communications products. Our pre-tax gain on the sale of Legerity was \$337 million. The gain was computed based on the excess of the consideration received for Legerity's net assets as of July 31, 2000, less direct expenses related to the sale. The applicable tax rate on the gain was 37 percent, resulting in an after-tax gain of \$212 million.

Interest and other income, net, increased \$6 million or 23 percent in 2002 compared to 2001 primarily due to \$4.7 million in charges for other than temporary declines in our equity investments as compared to \$27 million in charges in 2001 and a decrease of \$20 million in interest income as a result of lower interest rates on our investment portfolio and lower average cash balances.

Interest expense increased 16 percent in 2002 compared to 2001 primarily due to interest expense incurred on our \$500 million 4.75% Convertible Senior Debentures Due 2022, issued at the end of January 2002, partially offset by an increase in capitalized interest associated with conversion of Fab 25 to a Flash memory facility and facilitization activities at Fab 30 and a decrease of interest expenses incurred on our Dresden term loans due to a partial repayment of the outstanding balance in 2002.

Interest and other income, net, decreased \$60 million or 70 percent in 2001 compared to 2000 primarily due to \$27 million in charges for other-than-temporary declines in our equity investments, a \$14 million decrease in interest income due to a decrease in short-term investments and a \$9 million decrease due to the absence in 2001 of a gain on the sale of real property recorded in 2000.

Interest expense increased slightly in 2001 compared to 2000 due to a decrease in capitalized interest expense attributable to the substantial completion of Fab 30 and increased borrowings by our indirect wholly owned subsidiary, AMD Saxony Limited Liability Company & Co. KG (formerly known as AMD Saxony Manufacturing GmbH) (AMD Saxony), offset by the effect of redeeming our 6% convertible subordinated notes in May 2001.

Income Taxes

We recorded an income tax provision of \$45 million in 2002, an income tax benefit of \$14 million in 2001 and an income tax provision of \$257 million in 2000. The 2002 income tax provision was recorded primarily for taxes due on income generated in certain state and foreign tax jurisdictions. No tax benefit was recorded in 2002 on pre-tax losses due to the establishment in the fourth quarter of a full valuation allowance against our deferred tax assets, net of deferred tax liabilities, due to the incurrence of continuing substantial operating losses, as required under SFAS 109, "Accounting for Income Taxes." The effective benefit rate of 15.4 percent for 2001

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was less than the statutory rate because of a 24 percent tax benefit rate on the 2001 restructuring charges, reflecting the allocation of the charges between the U.S. and foreign low-taxed jurisdictions, and a provision for U.S. taxes on certain previously undistributed earnings of low-taxed foreign subsidiaries. The effective tax rate was 20.5 percent for 2000. The effective tax rate, excluding the gain on the sale of Legerity, was 14.5 percent, reflecting the benefit of realizing previously reserved deferred tax assets. The tax rate recorded in 2000 attributable to the gain on the sale of Legerity was 37 percent.

Other Items

International sales as a percent of net sales were 72 percent in 2002, 66 percent in 2001 and 60 percent in 2000. During 2002, approximately one percent of our net sales were denominated in currencies other than the U.S. Dollar. The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been material, principally as a result of our foreign currency hedging activities.

Comparison of Segment Income (Loss)

In 2002, we operated in two reportable segments: the Core Products segment, which reflects the aggregation of the PC processors, memory products and Other IC products operating segments, and the Foundry Services segment. The Core Products segment includes PC processors, Flash memory devices, EPROMs, embedded processors, platform products, personal connectivity solutions products and networking products. The Foundry Services segment included fees for products sold to Legerity and Vantis. Our previous Voice Communications segment included the voice communications products of our former subsidiary, Legerity. For a comparison of segment net sales, refer to the previous discussions on net sales by product group.

The following is a summary of operating income (loss) by segment for 2002, 2001 and 2000:

	2002	2001	2000
	(Millions)		
Core Products	\$ (846)	\$ 72	\$ 832
Foundry Services	(7)	(34)	22
Voice Communications	—	—	35
Total	\$ (853)	\$ 38	\$ 889

Core Products segment operating results decreased by \$918 million in 2002 compared to 2001 primarily due to a decrease in net sales. The decrease was primarily due to a decline in both average selling prices and unit sales for our core products due to the sustained downturn in the PC, telecommunications and networking equipment industries.

The Foundry Services segment operating loss decreased by \$27 million in 2002 compared to 2001 primarily due to the cost savings realized from the closure of Fabs 14 and 15 pursuant to the 2001 Restructuring Plan.

The Voice Communications segment operating income was zero in 2002 and 2001 due to our sale of Legerity, effective July 31, 2000.

Financial Condition

Net cash used in operating activities was \$89 million in 2002 primarily as a result of our net loss of \$1,303 million, offset by non-cash charges, including \$756 million of depreciation and amortization, \$311 million of restructuring and other special charges, and other sources of cash of \$163 million due to net changes in operating assets and liabilities.

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At December 29, 2002, inventory increased as compared to December 30, 2001 despite the decrease in sales due to an increase of product to support anticipated 2003 sales, a change in the mix of inventory, and the impact of flash memory production from the conversion of Fab 25.

Net cash provided by operating activities was \$168 million in 2001 primarily as a result of our net loss of \$61 million, adjusted for non-cash charges, including \$623 million of depreciation and amortization expense, \$82 million of restructuring charges, \$27 million of impairment charges on equity investments and \$10 million of provision for doubtful accounts, offset by non-cash credits of \$98 million from net charges in deferred income taxes and foreign grant and subsidy income, and other uses of cash in operating activities of approximately \$423 million due to net changes in operating assets and liabilities.

Net cash provided by operating activities was \$1,206 million in 2000 primarily due to net income of \$983 million and depreciation and amortization of \$579 million, offset by a nonrecurring \$337 million reduction to operating cash flows from the gain on the sale of Legerity, a decrease of \$267 million in other assets, an increase of \$158 million from income tax benefits from employee stock option exercises, a decrease of \$156 million in inventory, an increase of \$175 million in payables and accrued liabilities, an increase of \$143 million from customer deposits under long-term purchase agreements, a decrease of \$140 million in accounts receivable, an increase of \$79 million in prepaid expenses and a decrease of \$54 million from foreign grant and subsidy income.

Net cash used in investing activities was \$854 million in 2002 including \$705 million used for purchases of property, plant and equipment primarily for Fab 30 and Fab 25, \$27 million, net of cash acquired, to purchase Alchemy Semiconductor, and \$131 million from net purchases of available-for-sale securities, offset by \$9 million of proceeds from the sale of property, plant and equipment.

Net cash used in investing activities was \$554 million in 2001 primarily due to \$679 million used for the purchases of property, plant, and equipment, primarily for Fab 30 and Asia manufacturing facilities, and \$122 million for additional equity investments in FASL, offset by \$246 million of net proceeds from sales and maturities of available-for-sale securities.

Net cash used in investing activities was \$816 million in 2000 primarily due to \$805 million used for purchases of property, plant and equipment, offset by \$375 million we received from the sale of Legerity and \$398 million of net purchases of available-for-sale securities.

Net cash provided by financing activities was \$907 million in 2002 primarily due to \$486 million in proceeds, net of \$14 million in debt issuance costs, from issuing our \$500 million 4.75% Convertible Senior Debentures Due 2022, \$391 million in proceeds, net of \$11 million in debt issuance costs, from issuing our \$402.5 million 4.50% Convertible Senior Notes due 2007, \$108 million in proceeds from our September 2002 Term Loan Agreement, net of \$2 million in debt issuance costs, \$120 million in borrowings under our Loan and Security Agreement dated July 13, 1999 (the July 1999 Loan Agreement), \$21 million in proceeds from equipment lease financing, \$29 million in proceeds from the issuance of stock in connection with stock option exercises and employee purchases under our Employee Stock Purchase Plan and \$76 million of net capital investment grants and interest subsidies received from the German government as part of the Fab 30 loan agreements. These amounts were offset by \$325 million in payments on debt and capital lease obligations.

Net cash provided by financing activities was \$232 million in 2001 primarily due to \$63 million in proceeds from the issuance of notes payable to banks, \$308 million in proceeds from Dresden borrowing activities, \$38 million in proceeds from the receipt of foreign grants and subsidies and \$37 million in proceeds from the issuance of stock in connection with stock option exercises and purchases under our Employee Stock Purchase Plan, offset by \$137 million in payments on debt and capital lease obligations and \$77 million used to repurchase our common stock.

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Net cash used in financing activities was \$101 million in 2000 primarily due to \$375 million in payments on debt and capital lease obligations, offset by \$136 million in proceeds from borrowing activities, \$123 million in proceeds from the issuance of stock and \$15 million in proceeds from foreign grants and subsidies.

Contractual Cash Obligations and Guarantees

The following tables summarize our principal contractual cash obligations and principal guarantees at December 29, 2002 and are supplemented by the discussion following the tables.

Principal Contractual Cash Obligations at December 29, 2002 were:

	Total		Payments due by period					2008 and beyond
	2003	2004	2005	2006	2007			
Notes payable to banks	\$ 913	\$ 913	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Term Loan and Security Agreement dated as of September 27, 2002	110,000	27,500	27,500	(Thousands) 27,500	27,500	—	—	—
4.75% Convertible Senior Debentures Due 2022	500,000	—	—	—	—	—	—	500,000
4.50% Convertible Senior Notes Due 2007	402,500	—	—	—	—	402,500	—	—
Dresden term loans	587,234	30,939	31,252	281,273	243,770	—	—	—
Capital lease obligations	44,546	18,381	16,897	5,970	3,298	—	—	—
Operating leases	376,730	54,162	48,580	43,550	38,265	20,787	171,386	—
Unconditional purchase commitments	160,411	50,351	49,960	49,670	2,726	2,568	5,136	—
Total contractual cash obligations	\$ 2,182,334	\$ 182,246	\$ 174,189	\$ 407,963	\$ 315,559	\$ 425,855	\$ 676,522	\$ —

Principal Guarantees at December 29, 2002 were:

	Maximum amounts guaranteed	Amounts of guarantee expiration per period					2008 and beyond	
		2003	2004	2005	2006	2007		
				(Thousands)				
Dresden intercompany guarantee	\$ 294,000	\$ —	\$ —	\$ —	\$ 294,000	\$ —	\$ —	\$ —
BAC payment guarantee	26,044	26,044	—	—	—	—	—	—
AMTC payment guarantee	33,336	—	—	—	—	33,336	—	—
AMTC rental guarantee	131,000	—	—	—	—	—	—	131,000
FASL guarantee	208,000	—	—	—	—	—	—	208,000
Fujitsu guarantee	125,000	125,000	—	—	—	—	—	—
Total guarantee	\$ 817,380	\$ 151,044	\$ —	\$ —	\$ 294,000	\$ 33,336	\$ 339,000	\$ —

Notes Payable to Banks

We entered into a Loan and Security Agreement with a consortium of banks led by a domestic financial institution on July 13, 1999 (the July 1999 Loan Agreement). The July 1999 Loan Agreement provides for a four-year secured revolving line of credit of up to \$200 million. We can borrow, subject to amounts that may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from OEMs and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of net domestic cash (as defined in the July 1999 Loan Agreement) we hold declines below \$200 million or the

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amount of borrowings under the July 1999 Loan Agreement rises to 50 percent of available credit. At December 29, 2002, net domestic cash, as defined, totaled \$718 million. The July 1999 Loan Agreement restricts our ability to pay cash dividends on our common stock if the level of our net domestic cash declines below \$200 million. Our obligations under the July 1999 Loan Agreement are secured by a pledge of all of our accounts receivable, inventory, general intangibles and the related proceeds. As of December 29, 2002, there was no amount outstanding under the July 1999 Loan Agreement.

As of December 29, 2002, we had approximately \$18 million in lines of credit available to our foreign subsidiaries under other financing agreements, of which approximately \$1 million was outstanding.

September 2002 Loan Agreement

On September 27, 2002, we entered into a term loan and security agreement with a domestic financial institution (the September 2002 Loan Agreement). Under the agreement, we can borrow up to \$155 million to be secured by certain property, plant and equipment located at Fab 25. Amounts borrowed under the September 2002 Loan Agreement bear interest at a variable rate of LIBOR plus four percent, which was 5.8 percent at December 29, 2002. Repayment occurs in equal, consecutive, quarterly principal and interest installments ending in September 2006. As of December 29, 2002, \$110 million was outstanding under the September 2002 Loan Agreement. We must also comply with certain financial covenants if our net domestic cash balance (as defined in the September 2002 Loan Agreement) drops below \$300 million. The September 2002 Term Loan Agreement restricts our ability to pay cash dividends on our common stock if the level of our net domestic cash declines below \$300 million. At December 29, 2002, net domestic cash, as defined, totaled \$718 million. We intend to use the amounts borrowed under the September 2002 Loan Agreement for capital expenditures, working capital and general corporate purposes.

4.75% Convertible Senior Notes Due 2022

On January 29, 2002, we issued \$500 million of our 4.75% Convertible Senior Debentures Due 2022 (the 4.75% Debentures) in a private offering pursuant to Rule 144A and Regulation S of the Securities Act.

The interest rate payable on the 4.75% Debentures will reset on each of August 1, 2008, August 1, 2011 and August 1, 2016 to a rate per annum equal to the interest rate payable 120 days prior to the reset dates on 5-year U.S. Treasury Notes, plus 43 basis points. The interest rate will not be less than 4.75 percent and will not exceed 6.75 percent. Holders have the right to require us to repurchase all or a portion of our 4.75% Debentures on February 1, 2009, February 1, 2012, and February 1, 2017. The holders of the 4.75% Debentures will also have the ability to require us to repurchase the 4.75% Debentures in the event that we undergo specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.75% Debentures plus accrued and unpaid interest. The 4.75% Debentures are convertible by the holders into our common stock at a conversion price of \$23.38 per share at any time. At this conversion price, each \$1,000 principal amount of the 4.75% Debentures will be convertible into approximately 43 shares of our common stock. Issuance costs incurred in the amount of approximately \$14 million are being amortized ratably, which approximates the interest method, over the term of the 4.75% Debentures as interest expense.

Beginning on February 5, 2005, the 4.75% Debentures are redeemable by us for cash at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest at our option, provided that we may not redeem the 4.75% Debentures prior to February 5, 2006 unless the last reported sale price of our common stock is at least 130 percent of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice.

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The redemption prices are as follows for the specified periods:

Period	Price
Beginning on February 5, 2005 through February 4, 2006	102.375%
Beginning on February 5, 2006 through February 4, 2007	101.583%
Beginning on February 5, 2007 through February 4, 2008	100.792%
Beginning on February 5, 2008	100.000%

We may elect to purchase or otherwise retire our bonds with cash, stock or assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries where we believe that market conditions are favorable to do so. Such purchases may have a material effect on our liquidity, financial condition and results of operations.

4.50% Convertible Senior Notes Due 2007

On November 25, 2002, we sold \$402.5 million of 4.50% Convertible Senior Notes due 2007 (the 4.50% Notes) in a registered offering. Interest on the 4.50% Notes is payable semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2003. Beginning on December 4, 2005, the 4.50% Notes are redeemable by us at our option for cash at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest provided that we may not redeem the 4.50% Notes unless the last reported sale price of our common stock is at least 150 percent of the then effective conversion price for at least 20 trading days within a period of thirty trading days ending within 5 trading days of the date of the redemption notice.

The redemption prices are as follows for the specified periods:

Period	Price
Beginning on December 4, 2005 through November 30, 2006	101.8%
Beginning on December 1, 2006 through November 30, 2007	100.9%
On December 1, 2007	100.0%

The 4.50% Notes are convertible at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date of December 1, 2007, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$7.37 per share, subject to adjustment in certain circumstances. At this conversion price, each \$1,000 principal amount of the 4.50% Notes will be convertible into approximately 135 shares of our common stock. Issuance costs incurred in the amount of approximately \$12 million are being amortized ratably, which approximates the interest method, over the term of the 4.50% Notes as interest expense.

Holders have the right to require us to repurchase all or a portion of our 4.50% Notes in the event that we undergo specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.50% Notes plus accrued and unpaid interest.

Dresden Term Loans and Dresden Guarantee

AMD Saxony, an indirect wholly owned German subsidiary of AMD, continues to facilitate Fab 30, which began production in the third quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are providing financing for the project. We currently estimate that the construction and facilitization costs of Fab 30 will be \$2.6 billion when it is fully equipped by the end of 2005. As of December 29, 2002, we had invested \$2.1 billion in AMD Saxony.

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In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG, a German financial institution, in order to finance the project. The Dresden Loan Agreements were amended in February 1998, June 1999, February 2001, June 2002 and December 2002.

Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks (converted to euros), the dollar amounts are subject to change based on applicable exchange rates. We used the exchange rate that was permanently fixed on January 1, 1999, of 1.95583 deutsche marks to 1 euro for the conversion of deutsche marks to euros, and then used exchange rate of 0.96 euro to 1 U.S. dollar as of December 29, 2002, to translate the amounts denominated in deutsche marks into U.S. dollars.

The Dresden Loan Agreements, as amended, provide for the funding of the construction and facilitization of Fab 30. This funding consists of:

- equity contributions, subordinated and revolving loans and loan guarantees from, and full cost reimbursement through, AMD;
- loans from a consortium of banks; and
- grants, subsidies and loan guarantees from the Federal Republic of Germany and the State of Saxony.

The Dresden Loan Agreements require that we partially fund Fab 30 project costs in the form of subordinated and revolving loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, as of December 29, 2002, we had provided \$156 million of subordinated loans, \$315 million of revolving loans and \$286 million of equity investments in AMD Saxony. These amounts have been eliminated in our consolidated financial statements.

In addition to support from AMD, the consortium of banks referred to above made available up to \$799 million in loans to AMD Saxony to help fund Fab 30 project costs. The loans have been fully drawn and a portion has been repaid. AMD Saxony had \$587 million of such loans outstanding as of December 29, 2002, which are included in our consolidated balance sheets. Please refer to the Contractual Cash Obligation table, above, for the repayment schedule, which was revised as part of the December 2002 amendments to the Dresden Loan Agreements.

Finally, pursuant to a Subsidy Agreement, as amended in August 2002, the Federal Republic of Germany and the State of Saxony are supporting the Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- guarantees equal to the lesser of 65 percent of AMD Saxony bank debt or \$799 million;
- capital investment grants and allowances totaling \$433 million; and
- interest subsidies totaling \$160 million.

Of these amounts, AMD Saxony received approximately \$284 million in capital investment grants and allowances and \$98 million in interest subsidies. In addition, AMD Saxony received advanced payments for interest subsidies amounting to \$49 million, of which approximately \$18 million is restricted from our access for more than one year, and is therefore included in Other Assets. In addition to the above-mentioned subsidies, AMD Saxony also received \$31 million in research and development subsidies through December 29, 2002. Amounts received under the Subsidy Agreement are recorded as a long-term liability on our financial statements and are being amortized to operations ratably over the contractual life of the Subsidy Agreement as a reduction to operating expenses through December of 2008. The historical rates were used to translate the amounts denominated in deutsche marks (converted to euros) into U.S. dollars.

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The Subsidy Agreement, as amended, imposes conditions on AMD Saxony, including the requirement to attain a certain employee headcount by December 2003 and to maintain such headcount until December 2008. Noncompliance with the conditions of the grants, allowances and subsidies could result in the forfeiture of all or a portion of the future amounts to be received, as well as the repayment of all or a portion of amounts received to date. In December 2002, AMD Saxony reduced its anticipated December 2003 employment levels as a result of the 2002 Restructuring Plan (see Note 14). Consequently, the anticipated headcount is below the level required to be maintained by the Subsidy Agreement. Based on these revised headcount estimates, the maximum amount of capital investment grants and allowances available under the Subsidy Agreement would be reduced from \$433 million to \$379 million. We adjusted the quarterly amortization of these amounts accordingly. There have been no conditions of noncompliance through December 29, 2002 that would result in forfeiture of any of the grants and allowances.

The Dresden Loan Agreements, as amended, also require that we:

- provide interim funding to AMD Saxony if either the remaining capital investment grants and allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the investment grants and allowances or subsidies from the State of Saxony;
- fund shortfalls in government subsidies resulting from any default under the Subsidy Agreement caused by AMD Saxony or its affiliates; and
- guarantee up to 50 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than \$116 million or more than \$313 million, until the bank loans are repaid in full. As of December 29, 2002, the amount outstanding under the guarantee was \$294 million.

As AMD Saxony's obligations under the Dresden Loan Agreements are included in our consolidated financial statements, no incremental liability is recorded under the Dresden guarantee.

AMD Saxony would be in default under the Dresden Loan Agreements if we, AMD Saxony or AMD Saxony Holding GmbH (AMD Holding) fail to comply with certain obligations thereunder or upon the occurrence of certain events, including:

- material variances from the approved plan and specifications;
- our failure to fund equity contributions or loans or otherwise comply with our obligations relating to the Dresden Loan Agreements;
- the sale of shares in AMD Saxony or AMD Holding;
- the failure to pay material obligations;
- the occurrence of a material adverse change or filings or proceedings in bankruptcy or insolvency with respect to us, AMD Saxony or AMD Holding;
- the occurrence of a default under the July 1999 Loan Agreement or the September 2002 Loan Agreement; and
- noncompliance with specified financial covenants.

Generally, any default with respect to borrowings made or guaranteed by AMD that results in recourse to us of more than \$2.5 million, and that is not cured by us, would result in a cross-default under the Dresden Loan Agreements, the July 1999 Loan Agreement and the September 2002 Loan Agreement. As of December 29, 2002, we were in compliance with all conditions of the Dresden Loan Agreements.

In the event we are unable to meet our obligations to AMD Saxony as required under the Dresden Loan Agreements, we will be in default under the Dresden Loan Agreements, the July 1999 Loan Agreement and the September 2002 Loan Agreement, which would permit acceleration of certain indebtedness, which could have a

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material adverse effect on us. The occurrence of a default under these agreements would likely result in a cross-default under the Indentures governing our 4.75% Debentures and 4.50% Notes. We cannot assure that we will be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

Capital Lease Obligations

As of December 29, 2002, we had capital lease obligations of approximately \$45 million. Obligations under these lease agreements are collateralized by the assets leased and are payable through 2006. Leased assets consist principally of machinery and equipment.

Operating Leases, Unconditional Purchase Commitments and Other Operating Commitments

We lease certain of our facilities, including our executive offices in Sunnyvale, California, under lease agreements that expire at various dates through 2018. We lease certain of our manufacturing and office equipment for terms ranging from one to five years. Total future lease obligations as of December 29, 2002 were approximately \$377 million, of which \$137 million was recorded as a liability for certain facilities that were included in our 2002 Restructuring Plan.

We enter into purchase commitments for manufacturing supplies and services. Total purchase commitments as of December 29, 2002 were approximately \$160 million for periods through 2009.

FASL Facilities and Guarantees

FASL, a joint venture formed by AMD and Fujitsu Limited in 1993, operates advanced integrated circuit manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices. FASL is continuing the facilitization of its second and third Flash memory device wafer fabrication facilities, FASL JV2 and FASL JV3. We expect FASL JV2 and FASL JV3, including equipment, to cost approximately \$2.1 billion when fully equipped. As of December 29, 2002, approximately \$1.6 billion of these costs had been funded by cash generated primarily from FASL operations and borrowings by FASL. These costs are incurred in Japanese yen and are, therefore, subject to change due to foreign exchange rate fluctuations. On December 29, 2002, the exchange rate was 119.97 yen to one U.S. dollar. We use this rate to translate the amounts denominated in yen into U.S. dollars.

A significant portion of FASL capital expenditures in 2003 will continue to be funded by cash generated from FASL operations. However, to the extent that additional funds are required for the full facilitization of FASL JV2 and FASL JV3, we will be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL, up to 25 billion yen (\$208 million). As of December 29, 2002, we had \$121 million in loan guarantees outstanding with respect to these third-party loans.

In 2000, FASL further expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI), a wholly owned subsidiary of Fujitsu Limited. In connection with FMI equipping its wafer fabrication facility in Gresham, Oregon (the Gresham Facility) to produce flash memory devices for sale to FASL, we agreed to guarantee the repayment of up to \$125 million of Fujitsu's obligations as a co-signer with FMI under its global multicurrency revolving credit facility (the Credit Facility) with a third-party bank (the Fujitsu Guarantee). On November 30, 2001, Fujitsu announced that it was closing the Gresham Facility, due to the downturn of the flash memory market. To date we have not received notice from Fujitsu that FMI has defaulted on any payments due under the Credit Facility. Fujitsu has requested that we pay the entire \$125 million under the Fujitsu Guarantee. We continue to disagree with Fujitsu as to the amount, if any, of our obligations under the Fujitsu Guarantee. While we continue to discuss this matter with Fujitsu, we cannot predict the outcome of this matter. Accordingly, we have not recorded any liability in our consolidated financial statements associated with the Fujitsu Guarantee.

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Advanced Mask Technology Center Guarantee and BAC Guarantee

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co., KG (BAC) are joint ventures formed by us, Infineon Technologies AG and Dupont Photomasks, Inc. for the purpose of constructing and operating a new advanced photomask facility in Dresden, Germany. In June 2002, BAC entered into a \$78 million bridge loan (Bridge Loan) with a consortium of banks led by Dresdner Bank for the purpose of constructing the facility. We guaranteed the payment obligations of BAC under the Bridge Loan, in an amount not to exceed \$26 million plus interest and expenses. In December 2002, BAC and AMTC executed a facility agreement, consisting of a \$125 million revolving credit facility (Revolving Loan) and a \$78 million term loan facility (Term Loan), with a consortium of banks led by Dresdner Bank. The Term Loan will supercede and replace the Bridge Loan. We guaranteed the payment obligations of AMTC, in an amount not to exceed \$33 million plus interest and expenses, under the Revolving Loan. In addition, we guaranteed the payment obligations of BAC, in an amount not to exceed \$26 million plus interest and expenses, under the Term Loan.

In December 2002, the AMTC and BAC entered into a rental agreement with respect to the photomask facility. The rental agreement will become effective upon completion of construction of the photomask facility. We guaranteed approximately 23% of the payment obligations of AMTC under the rental agreement, which we believe will be equal to approximately \$17 million, initially and diminish over time through 2011 as the Term Loan is repaid. Our rental guarantee replaces our guarantee of the Term Loan. In addition, in the event the other tenant of the photomask facility defaults under its rental agreement, and the AMTC assumes the defaulting tenant's lease and related lease obligations, we would be required to guarantee 23% of these additional rental payment obligations. Further, in the event one of the three joint venture partners is unable to meet its guarantee obligations with respect to AMTC's additional rental payment obligations, the remaining joint venture partners agreed to assume, on a pro rata basis, the defaulting partner's guarantee obligations with respect to AMTC's additional rental payment only. Assuming the other tenant of the photomask facility defaults under the rental agreement and AMTC exercises its option to assume the defaulting tenant's obligations under its rental agreement, and assuming a default under the rental guarantee by both Infineon and Dupont, the maximum potential amount of our guarantee obligations for these rental payments would be approximately \$131 million.

As of December 29, 2002, no amounts were drawn under the Revolving Loan or the Term Loan and we have not recorded any liability in our consolidated financial statements associated with the guarantees.

Other Financial Activities

We plan to make capital investments of approximately \$650 million during 2003, including amounts related to the continued facilitization of Fab 30 and Fab 25. We believe that cash flows from operations and current cash balances, together with available external financing and the extension of existing facilities, will be sufficient to fund operations and capital investments for at least the next 12 months.

Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the amortization and impairment provisions of SFAS 142 are effective upon the adoption of SFAS 142. We adopted SFAS 141 and SFAS 142 at the beginning of 2002. These accounting standards did not have a material effect on our consolidated financial statements.

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In August 2001, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), which supersedes both Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," (SFAS 121) and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets to be "held and used." In addition, the statement provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset or group of assets to be disposed of other than by sale be classified as "held-and-used" until they are disposed of, and establishes more restrictive criteria to classify an asset or group of assets as "held for sale." SFAS 144 also retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). We adopted FAS 144 at the beginning of 2002, which had no impact on our consolidated financial statements.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between SFAS 146 and EITF 94-3 relates to SFAS 146's timing for recognition of a liability for a cost associated with an exit or disposal activity. SFAS 146 requires that a liability for an exit cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost, as generally defined in EITF 94-3, was recognized at the date of an entity's commitment to an exit plan. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We will adopt SFAS 146 prospectively as of December 30, 2002, the beginning of fiscal year 2003, and, therefore, its adoption is not expected to have any impact on our current financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements regarding its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions related to the disclosure requirements of this interpretation are effective for financial statements of periods ending after December 15, 2002. The provisions related to recognition and measurement are applicable prospectively to guarantees issued or modified after December 31, 2002. As required, we have adopted the disclosure provisions in the financial statements for our fiscal year ended December 29, 2002. We are still in the process of assessing FIN 45's recognition and initial measurement requirements, and, at this point, do not believe the adoption of FIN 45 will have a material effect on our results of operations or financial condition.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" (SFAS 148), which provides for alternative methods to transition to the fair value method of accounting for stock options in accordance with provisions of FASB Statement No. 123, "Accounting for Stock Based Compensation." In addition, SFAS 148 requires disclosure of the effects of an entity's accounting policy with respect to stock-based compensation on reported net income and earnings per share in annual and interim financial statements. We adopted the annual disclosure provisions of SFAS 148 in the financial statements for our fiscal year ended December 29, 2002 and will adopt the interim disclosure requirements beginning in the first quarter of fiscal 2003. The transition provisions of SFAS 148 are currently not applicable to us as we continue to account for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25.

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In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). Variable interest entities often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, or other transactions or arrangements. Formerly "Consolidation of Certain Special Purpose Entities" in its draft form, this interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," defines what these variable interest entities are and provides guidelines on how to identify them and also on how an enterprise should assess its interests in a variable interest entity to decide whether to consolidate that entity. Generally, FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. For existing variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003, the provision of this interpretation will apply no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. Currently, we do not have any variable interest entities, and we do not expect the adoption of FIN 46 will have a material impact on our results of operations or financial condition.

Risk Factors

We have recently experienced substantial declines in revenues and increases in operating losses, and we may experience additional declines in revenues and increases in operating losses in the future. Our historical financial results have been, and our future financial results are anticipated to be, subject to substantial fluctuations. Our total revenues for 2002 were \$2,697 million compared to \$3,892 million for 2001. This decline was due primarily to reduced demand for our products resulting from the current economic slowdown and our decision primarily in the third and fourth quarters of 2002 to limit shipments and to accept receipt of product returns from certain customers, each as part of our efforts to reduce excess PC processor inventory in the overall supply chain. We incurred a net loss of \$1.3 billion for 2002 compared to a net loss of \$61 million for 2001. Reduced end-user demand, underutilization of our manufacturing capacity and other factors could adversely affect our business in the near term and we may experience additional declines in revenue and operating losses. We cannot assure you that we will be able to return to profitability or that, if we do, we will be able to sustain it.

The semiconductor industry is highly cyclical and is currently experiencing a severe downturn, that is adversely affecting, and may continue to adversely affect, our business. The highly cyclical semiconductor industry has experienced significant downturns, often in connection with maturing product cycles, manufacturing overcapacity and declines in general economic conditions. The most recent downturn, which began in the fourth quarter of 2000 and continues today, has been severe and prolonged, and future downturns may also be severe and prolonged. Our financial performance has been negatively affected by these downturns, including the incurrence of substantial losses during the current downturn, as a result of:

- the cyclical nature of the supply/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products that incorporate our semiconductors;
- excess inventory levels in the channels of distribution, including our customers;
- excess production capacity; and
- accelerated declines in average selling prices.

If current conditions do not improve in the near term or if these conditions in the semiconductor industry occur in the future, as they likely will to a lesser or greater degree, our business will continue to be adversely affected.

Fluctuations in the personal computer market may continue to materially adversely affect us. Our business is, and particularly our PC processor product lines are, tied to the personal computer industry. Industry-wide fluctuations in the PC marketplace, including the current industry downturn that commenced in 2001 and has continued throughout 2002 have materially adversely affected us and may materially adversely affect us in the

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future. If we continue to experience a sustained reduction in the growth rate of PCs sold, sales of our microprocessors may not grow and may even decrease.

In addition, current trends of consolidation within the personal computer industry, as recently evidenced by the Hewlett-Packard/Compaq merger, as well as potential market share increases by customers who exclusively purchase microprocessors from Intel Corporation, such as Dell Corporation, could further materially adversely affect us.

We plan for significant capital expenditures in 2003 and beyond and if we cannot generate the capital required for these capital expenditures and other ongoing operating expenses through operating cash flow and external financing activities, we may be materially adversely affected. We plan to continue to make significant capital expenditures to support our microprocessor and Flash memory products both in the near and long term, including approximately \$650 million during 2003. These capital expenditures include those relating to the continued facilitization of Fab 30 and Fab 25. These capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and will also decrease our cash balances. The timing and amount of our capital requirements cannot be precisely determined at this time and will depend on a number of factors, including demand for products, product mix, changes in semiconductor industry conditions and competitive factors. We regularly assess markets for external financing opportunities including debt and equity. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. In addition, our July 1999 Loan Agreement is scheduled to expire in July 2003. Our inability to obtain needed debt and/or equity financing would have a material adverse effect on us.

In March 1997, AMD Saxony entered into the Dresden Loan Agreements and other related agreements. These agreements require that we partially fund Fab 30 project costs in the form of subordinated and revolving loans to, or equity investments in, AMD Saxony. We currently estimate that the maximum construction and facilitization costs to us of Fab 30 will be \$2.6 billion when fully equipped by the end of 2005. We had invested \$2.1 billion as of December 29, 2002. If we are unable to meet our obligations to AMD Saxony as required under these agreements, we will be in default under the Dresden Loan Agreements, which would permit acceleration of \$587 million of indebtedness, as well as acceleration by cross-default of our obligations under our other borrowing arrangements.

Our joint venture with Fujitsu Limited, FASL, continues to facilitate its manufacturing facilities in Aizu-Wakamatsu, Japan, known as FASL JV2 and FASL JV3. We expect FASL JV2 and FASL JV3, including equipment, to cost approximately \$2.1 billion when fully equipped. As of December 29, 2002, approximately \$1.6 billion of this cost had been funded. To the extent that additional funds are required for the full facilitization of FASL JV2 and FASL JV3, we will be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL.

We have a substantial amount of debt and debt service obligations, and may incur additional debt, that could adversely affect our financial position. We have a substantial amount of debt and we may incur additional debt in the future. At December 29, 2002, our total debt was \$1.9 billion and stockholders' equity was \$2.5 billion. In addition, we had up to \$200 million of availability under our July 1999 Loan Agreement (subject to our borrowing base). We had also guaranteed approximately \$817 million of debt, and we are currently in disagreement as to the amount we owe, if any, under our additional guarantee to repay up to \$125 million to Fujitsu in connection with a closed wafer fabrication facility in Gresham, Oregon. None of these guaranteed amounts are reflected as debt on our balance sheet.

Our high degree of leverage may:

- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require a substantial portion of our cash flow from operations to make debt service payments;

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- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions and, to the extent of our outstanding debt under our September 2002 Loan Agreement, the impact of increases in interest rates.

Our ability to make payments on and to refinance our debt or our guarantees of other parties' debts will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter and is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

We cannot assure you that we will continue to generate sufficient cash flow or that we will be able to borrow funds under our credit facilities in amounts sufficient to enable us to service our debt, or meet our working capital and capital expenditure requirements or that we will be able to extend the July 1999 Loan Agreement. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, due to borrowing base restrictions or otherwise, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more funds on terms acceptable to us, if at all.

Intense competition in the integrated circuit industry may materially adversely affect us. The integrated circuit industry is intensely competitive. Products compete on performance, quality, reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition and availability. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency improves, competitors enter the market and successive generations of products are developed and introduced for sale. Failure to reduce our costs on existing products or to develop and introduce, on a cost-effective and timely basis, new products or enhanced versions of existing products with higher margins, would have a material adverse effect on us.

Intel Corporation's dominance of the PC processor market may limit our ability to compete effectively in that market. Intel has dominated the market for microprocessors used in PCs for many years. As a result, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the market requires of Intel's competitors. In addition, the financial strength of Intel allows it to market its product aggressively, to target our customers and our channel partners with special incentives and to discipline customers who do business with us. These aggressive activities can result in lower unit sales and average selling prices for us and adversely affect our margins and profitability. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand program and other marketing programs. As long as Intel remains in this dominant position, we may be materially adversely affected by its:

- pricing and allocation strategies and actions;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and basic input/output system (BIOS) suppliers; and
- user brand loyalty.

We expect Intel to maintain its dominant position in the marketplace as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly expends substantially greater amounts on research and development than we do.

In marketing our microprocessors to OEMs and dealers, we depend on third-party companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and

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other components. In recent years, many of these third-party designers and manufacturers have lost significant market share to Intel or exited the business. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors, and Intel has significant leverage over their business opportunities.

Our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for AMD Athlon 64 and AMD Opteron microprocessors will depend on our ability to ensure that PC platforms are designed to support our microprocessors. A failure of the designers and producers of motherboards, chipsets and other system components to support our microprocessor offerings would have a material adverse effect on us.

If we are unable to develop, produce and successfully market higher-performing microprocessor products, we may be materially adversely affected. The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully, we must transition to new process technologies at a fast pace and offer higher-performance microprocessors in significantly greater volumes. If we fail to achieve yield and volume goals or to offer higher-performance microprocessors in significant volume on a timely basis and at competitive prices, we could be materially adversely affected.

To be successful, we must increase sales of our microprocessor products to existing customers and develop new customers in both consumer and commercial markets, particularly the latter. Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

- our ability to continue offering new higher performance microprocessors competitive with Intel's product offerings;
- our ability to introduce and create successful marketing positions for the upcoming AMD Opteron and AMD Athlon 64 microprocessors, which rely in part on market acceptance and demand for 64-bit microprocessors based on x86 technology.
- our ability to maintain and improve the successful marketing position of the AMD Athlon XP microprocessor, which relies in part on market acceptance of a metric based on overall processor performance versus processor clock speed (measured in megahertz frequency);
- our ability to maintain adequate selling prices of microprocessors despite increasingly aggressive Intel pricing strategies, marketing programs, new product introductions and product bundlings of microprocessors, motherboards and chipsets;
- our ability, on a timely basis, to produce microprocessors in the volume and with the performance and feature set required by customers;
- the pace at which we expect to be able to convert production in Fab 30 to 90 nanometer copper interconnect process;
- our ability to attract and retain engineering and design talent;
- our ability to expand system design capabilities; and
- the availability and acceptance of motherboards and chipsets designed for our microprocessors.

Our ability to increase microprocessor product revenues and benefit fully from the substantial investments we have made and continue to make related to microprocessors depends on the continuing success of our AMD Athlon microprocessors and the success of future generations of microprocessors, most immediately the AMD Opteron processor, and later this year the AMD Athlon 64 processor. If we fail to achieve continued and expanded market acceptance of our microprocessors, we may be materially adversely affected.

We must introduce in a timely manner, and achieve market acceptance for, our AMD Opteron and AMD Athlon 64 microprocessors, or we will be materially adversely affected. We plan to ship our AMD Opteron

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processors in April 2003 and our AMD Athlon 64 processors in September 2003. These processors are designed to provide high performance for both 32-bit and 64-bit applications in servers and in desktop and mobile PCs. The success of these processors is subject to risks and uncertainties including our ability to produce them in a timely manner on new process technologies, including silicon-on-insulator technology, in the volume and with the performance and feature set required by customers; their market acceptance; the availability, performance and feature set of motherboards and chipsets designed for our eighth-generation processors; and the support of the operating system and application program providers for our 64-bit instruction set.

If we were to lose Microsoft Corporation's support for our products, our ability to market our processors would be materially adversely affected. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for our x86 instruction sets, including our x86-64 technology that will be introduced with our AMD Athlon 64 and AMD Opteron processors, independent software providers may forego designing their software applications to take advantage of our innovations. If we fail to retain the support and certification of Microsoft, our ability to market our processors could be materially adversely affected.

The completion and impact of our restructuring program and cost reductions could adversely affect us. On November 7, 2002, we announced that we were formulating the 2002 Restructuring Plan to address the continuing industry-wide weakness in the semiconductor industry by adjusting our cost structure to industry conditions. Pursuant to the 2002 Restructuring Plan, we intend to reduce our fixed costs as a percentage of total costs over time from approximately 80 percent to approximately 70 percent. We also expect to reduce our expenses by approximately \$100 million per quarter by the second quarter of 2003. As a result, we expect total expenses in 2003 to be reduced by approximately \$350 million based on current product demand forecasts. We cannot, however, be sure that the goals of the 2002 Restructuring Plan will be realized. The ultimate effects of the 2002 Restructuring Plan could prove to be adverse.

Weak market demand for our Flash memory products, the loss of a significant customer in the high-end mobile telephone market, or any difficulty in our transition to Mirrorbit technology may have a material adverse effect on us. The demand for Flash memory devices has been weak due to the sustained downturn in the communications and networking equipment industries and excess inventories held by our customers. In the third and fourth quarters of this year, our Flash memory product sales grew almost entirely based on strength in the high-end mobile phone market. Our sales in that market are concentrated in a few customers. In addition, we expect competition in the market for Flash memory devices to continue to increase as competing manufacturers introduce new products and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and Intel and other competitors introduce new competing products. A decline in unit sales of our Flash memory devices, lower average selling prices, or a loss of a significant customer in the high-end mobile phone market, would have a material adverse effect on us.

In July 2002, we commenced production shipments of our first product with MirrorBit technology. Our MirrorBit technology is a new memory cell architecture that enables Flash memory products to hold twice as much data as standard Flash memory devices. A lack of customer acceptance, any substantial difficulty in transitioning our Flash memory products to MirrorBit technology or any future process technology could reduce our ability to be competitive in the market and could have a material adverse effect on us.

We rely on our joint venture with Fujitsu, FASL, and if that joint venture is terminated or amended significantly, we could be materially adversely affected. We continue to rely on our joint venture with Fujitsu, FASL, to manufacture our Flash memory devices. In addition, beginning in 2002, Fab 25 began operating as a foundry to FASL and as of year end, Fab 25 was devoted entirely to Flash memory device production for FASL. While the FASL joint venture has been successful to date, there can be no assurance that we and Fujitsu will elect to continue the joint venture in its current form, in some other form or at all, which could have a material adverse effect on us.

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Our memory products are based on the NOR architecture and a significant market shift to the NAND architecture could materially adversely affect us. Our memory products are based on the NOR architecture, and any significant shift in the marketplace to products based on the NAND architecture will reduce the total market available to us and therefore reduce our market share, which could have a materially adverse affect on us.

Worldwide economic and political conditions may affect demand for our products and slow payment by our customers. The economic slowdown in the United States and worldwide, exacerbated by the occurrence and threat of terrorist attacks and consequences of sustained military action, has adversely affected demand for our microprocessors, Flash memory devices and other integrated circuits. A continued decline of the worldwide semiconductor market or a significant decline in economic conditions in any significant geographic area would likely decrease the overall demand for our products, which could have a material adverse effect on us. If the economic slowdown continues or worsens as a result of terrorist activities, military action or otherwise, it could adversely impact our customers' ability to pay us in a timely manner.

Manufacturing capacity utilization rates may adversely affect us. At times we underutilize our manufacturing facilities as a result of reduced demand for certain of our products. We are substantially increasing our manufacturing capacity by making significant capital investments in Fab 30, Fab 25, FASL JV3 and our test and assembly facility in Suzhou, China. If the increase in demand for our products is not consistent with our expectations, we may underutilize our manufacturing facilities, and we could be materially adversely affected. This has in the past had, and in the future may have, a material adverse effect on our earnings and cash flow.

There may also be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on us.

Further, during periods when we are implementing new process technologies, our manufacturing facilities may not be fully productive. A substantial delay in the technology transitions in Fab 30 to smaller than 130 nanometer process technologies employing silicon-on-insulator technology could have a material adverse effect on us.

At this time, the most significant risk is underutilization of our manufacturing capacity.

Unless we maintain manufacturing efficiency, our future profitability could be materially adversely affected. Manufacturing semiconductor components involves highly complex processes that require advanced equipment. We and our competitors continuously modify these processes in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing process can lower yields. Our manufacturing efficiency will be an important factor in our future profitability, and we cannot be sure that we will be able to maintain our manufacturing efficiency or increase manufacturing efficiency to the same extent as our competitors.

From time to time, we have experienced difficulty in beginning production at new facilities, transferring production to other facilities, and in effecting transitions to new manufacturing processes that have caused us to suffer delays in product deliveries or reduced yields. We cannot be sure that we will not experience manufacturing problems in achieving acceptable yields or product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies, which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

We cannot be certain that our substantial investments in research and development of process technologies will lead to improvements in technology and equipment used to fabricate our products or that we will have sufficient resources to invest in the level of research and development that is required to remain competitive. We make substantial investments in research and development of process technologies in an effort

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to improve the technologies and equipment used to fabricate our products. For example, the successful development and implementation of silicon-on-insulator technology is critical to our AMD Opteron and AMD Athlon 64 microprocessors. However, we cannot be certain that we will be able to develop or obtain or successfully implement leading-edge process technologies needed to fabricate future generations of our products profitably. Further, we cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required for us to remain competitive.

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

Our debt instruments impose restrictions on us that may adversely affect our ability to operate our business. Our July 1999 Loan Agreement and our September 2002 Loan Agreement contain restrictive covenants and also require us to maintain specified financial ratios and satisfy other financial condition tests when our net domestic cash is below specified amounts, and the Dresden Loan Agreements imposes restrictive covenants on AMD Saxony, including a prohibition on its ability to pay dividends.

Our ability to satisfy the covenants, financial ratios and tests of our debt instruments can be affected by events beyond our control. We cannot assure you that we will meet those requirements. A breach of any of these covenants, financial ratios or tests could result in a default under our July 1999 Loan Agreement, our September 2002 Loan Agreement and/or the Dresden Loan Agreements. The occurrence of an event of default under any of these agreements or under the indentures governing our 4.75% Debentures and our 4.50% Notes would likely result in a cross-default under the agreements covering the other borrowings and would permit the applicable lenders or noteholders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable and would permit the lenders to terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the July 1999 Loan Agreement, the September 2002 Loan Agreement and the Dresden Loan Agreements could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our personal property, including inventory and accounts receivable, as security under our July 1999 Loan Agreement, and certain property, plant and equipment as security under our September 2002 Loan Agreement, and AMD Saxony has pledged substantially all of its property as security under the Dresden Loan Agreements. If the lenders under any of the credit facilities or the noteholders or the trustee under the indentures governing our 4.75% Debentures and our 4.50% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings and our other indebtedness.

Costs related to defective products could have a material adverse effect on us. One or more of our products may be found to be defective after the product has been shipped to customers in volume. The cost of a recall, software fix, product replacements and/or product returns may be substantial and could have a material adverse effect on us. In addition, modifications needed to fix the defect may impede performance of the product.

If essential raw materials are not available to manufacture our products, we could be materially adversely affected. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we are unable to procure certain of these materials, we might have to reduce our manufacturing operations. Such a reduction could have a material adverse effect on us.

Our operations in foreign countries are subject to political and economic risks, which could have a material adverse effect on us. Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Malaysia, Thailand, China and Singapore; or by subcontractors in the United States

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and Asia. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers and have international sales operations.

The political and economic risks associated with our operations in foreign countries include:

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- difficulty in protecting our intellectual property;
- changes in foreign currency exchange rates and currency controls;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities; and
- loss or modification of exemptions for taxes and tariffs;

any of which could have a material adverse effect on us.

As part of our business strategy, we are continuing to seek expansion of product sales in emerging overseas markets. Expansion into emerging overseas markets presents similar political and economic risks as described above, and we may be unsuccessful in our strategy to penetrate these emerging overseas markets.

Our inability to continue to attract and retain key personnel may hinder our product development programs. Our future success depends upon the continued service of numerous key engineering, manufacturing, marketing, sales and executive personnel. If we are not able to continue to attract, retain and motivate qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be otherwise adversely affected.

Our operating results are subject to substantial seasonal fluctuations. Our operating results tend to vary seasonally. For example, our revenues are generally higher in the fourth quarter than the third quarter of each year. This seasonal pattern is largely a result of decreased demand in Europe during the summer months and higher demand in the retail sector of the PC market during the winter holiday season. In recent quarters, a substantial portion of our quarterly sales have been made in the last month of the quarter.

Uncertainties involving the ordering and shipment of, and payment for, our products could materially adversely affect us. Our sales are typically made pursuant to individual purchase orders, and we generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders 30 days prior to shipment without incurring a significant penalty. We base our inventory levels on customers' estimates of demand for their products, which is difficult to predict. This difficulty may be compounded when we sell to original equipment manufacturers indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to failure of anticipated orders to materialize could result in excess or obsolete inventory, which could result in write-downs of inventory.

During 2002, the markets in which our customers operate were characterized by a decline in end-user demand which reduced visibility of future demand for our products and resulted in high levels of inventories in the PC industry supply chain. In some cases, this led to delays in payments for our products. We believe that these and other factors could continue to materially adversely affect our revenues in the near term.

Our price protection obligations and return rights under specific provisions in our agreements with distributors may adversely affect us. Distributors typically maintain an inventory of our products. In most

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instances, our agreements with distributors protect their inventory of our 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 allow for the return of our products. The price protection and return rights we offer to our distributors could materially adversely affect us if distributors exercise these rights as a result of an unexpected significant decline in the price of our products or otherwise.

If we cannot adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses. We may not be able to adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Further, patent applications that we file may not be issued. Despite our efforts to protect our rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to cost-effectively monitor compliance with, and enforce, our intellectual property on a worldwide basis.

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that all necessary licenses can be obtained on satisfactory terms, if at all. We could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on us. We cannot assure you that litigation related to the intellectual property rights of us and others will always be avoided or successfully concluded.

Failure to comply with any of the applicable environmental regulations could result in a range of consequences including fines, suspension of production, alteration of manufacturing process, cessation of operations or sales, and criminal and civil liabilities. Existing or future regulations could require us to procure expensive pollution abatement or remediation equipment; to modify product designs; or to incur other expenses associated with compliance with environmental regulations. Any failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business.

Terrorist attacks, such as the attacks that occurred in New York and Washington, DC on September 11, 2001, and other acts of violence or war may materially adversely affect us. Terrorist attacks may negatively affect our operations. These attacks or armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive and ultimately affect our sales.

Also as a result of terrorism, the United States may be included in armed conflicts that could have a further impact on our sales, our supply chain, and our ability to deliver products to our customers. Political and economic instability in some regions of the world may also result and could negatively impact our business. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in or exacerbate economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results, revenues and costs and may result in the volatility of the market price for our securities and on the future prices of our securities.

Our corporate headquarters, assembly and research and development activities are located in an earthquake zone and these operations could be interrupted in the event of an earthquake. Our corporate

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headquarters, assembly operations in California and research and development activities related to process technologies are located near major earthquake fault lines. In the event of a major earthquake, we could experience business interruptions, destruction of facilities and/or loss of life, all of which could materially adversely affect us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. In order to reduce this interest rate risk, we usually invest our cash in investments with short maturities. As of December 29, 2002, substantially all of our investments in our portfolio were short term investments and they consisted primarily of money market funds, short term corporate notes, short term money market auction rate preferred stocks and short term federal agency notes.

The majority of our debt obligations are fixed rate and long term. We continually monitor market conditions and enter into hedges when appropriate. We do not currently have any hedges of interest rate risk in place. We do not use derivative financial instruments for speculative or trading purposes.

Default Risk. We mitigate default risk by investing in only the highest credit quality securities and by constantly positioning our 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. As stated in our investment policy, we are averse to principal loss and ensure the safety and preservation of our invested funds by limiting default risk and market risk.

We use proceeds from debt obligations primarily to support general corporate purposes, including capital expenditures and working capital needs.

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The following table presents the cost basis, fair value and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of December 29, 2002 and comparable fair values as of December 30, 2001:

	2002						2001		
	2003	2004	2005	2006	2007	Thereafter	Total	Fair value	Fair value
(Thousands)									
Investment Portfolio									
Cash equivalents:									
Fixed rate amounts	\$ 14,265	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,265	\$ 14,276	\$ 126,379
Weighted-average rate	1.39%	—	—	—	—	—	—	—	—
Variable rate amounts	\$ 108,908	—	—	—	—	—	\$ 108,908	\$ 109,076	\$ 152,140
Weighted-average rate	1.34%	—	—	—	—	—	—	—	—
Short-term investments:									
Fixed rate amounts	\$ 64,934	\$ 138,604	\$ 108,382	\$ 21,421	—	—	\$ 333,341	\$ 336,494	\$ 426,359
Weighted-average rate	2.60%	2.55%	2.99%	4.29%	—	—	—	—	—
Variable rate amounts	\$ 271,261	—	\$ 1,000	—	—	—	\$ 272,261	\$ 272,463	\$ 16,350
Weighted-average rate	1.74%	—	2.18%	—	—	—	—	—	—
Long-term equity investments:									
Equity investments	—	—	—	—	—	\$ 8,023	\$ 8,023	\$ 7,885	\$ 19,342
Fixed rate amounts	—	\$ 12,433	—	—	—	—	\$ 12,433	\$ 12,554	\$ 13,323
Weighted-average rate	—	1.88%	—	—	—	—	—	—	—
Total Investment Portfolio	\$ 459,368	\$ 151,037	\$ 109,382	\$ 21,421	\$ —	\$ 8,023	\$ 749,231	\$ 752,748	\$ 753,893
Debt Obligations									
Debt—fixed rate amounts	\$ 30,939	\$ 31,252	\$ 281,273	\$ 243,770	\$ 402,500	\$ 500,000	\$ 1,489,734	\$ 1,384,611	\$ 571,679
Weighted-average rate	4.22%	4.29%	5.05%	5.09%	4.50%	4.75%	—	—	—
Debt—variable rate amounts	\$ 27,500	\$ 27,500	\$ 27,500	\$ 27,500	\$ —	\$ —	\$ 110,000	\$ 109,524	\$ —
Weighted-average rate	5.80%	5.80%	5.81%	5.88%	—	—	—	—	—
Notes payable to banks	\$ 913	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 913	\$ 913	\$ 63,362
Weighted-average rate	5.26%	—	—	—	—	—	—	—	—
Capital leases	\$ 12,909	\$ 18,691	\$ 5,507	\$ 3,214	\$ —	\$ —	\$ 40,321	\$ 36,587	\$ 31,550
Weighted-average rate	14.92%	8.27%	8.40%	2.63%	—	—	—	—	—
Total Debt Obligations	\$ 72,261	\$ 77,443	\$ 314,280	\$ 274,484	\$ 402,500	\$ 500,000	\$ 1,640,968	\$ 1,531,635	\$ 666,591

Foreign Exchange Risk. We use foreign currency forward and option contracts to reduce our exposure to currency fluctuations on our foreign currency exposures in our foreign sales subsidiaries, on liabilities for products purchased from FASL and AMD Saxony and for foreign currency denominated fixed asset purchase commitments. The objective of these contracts is to minimize the impact of foreign currency exchange rate movements on our operating results and on the cost of capital asset acquisitions. Our accounting policy for these instruments is based on our designation of such instruments as hedges of underlying exposure to variability in cash flows. We do not use these contracts for speculative or trading purposes.

We had an aggregate of \$492 million (notional amount) of short-term foreign currency forward contracts and option contracts denominated in Japanese yen, European Union euro and Singapore dollar outstanding as of December 29, 2002.

Unrealized gains and losses related to the foreign currency forward and option contracts for the year ended December 29, 2002 were not material. We do not anticipate any material adverse effect on our consolidated financial position, results of operations or cash flows resulting from the use of these instruments in the future. However, we cannot give any assurance that these strategies will be effective or that transaction losses can be minimized or forecasted accurately.

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The table below provides information about our foreign currency forward and option contracts as of December 29, 2002 and December 30, 2001. All of our foreign currency forward contracts and option contracts mature within the next 12 months.

	2002			2001		
	Notional amount	Average contract rate	Estimated fair value	Notional amount	Average contract rate	Estimated fair value
	(Thousands except contract rates)					
Foreign currency forward contracts:						
Japanese yen	\$ 30,394	123.38	\$ 872	\$ 105,895	122.76	\$ (4,066)
European Union euro	224,267	0.9344	24,328	195,907	0.89	1,778
Singapore dollar	—	—	—	19,854	1.81	171
Foreign currency option contracts:						
Japanese yen	29,600	125.00	1,326	86,400	125.00	(1,375)
European Union euro	207,450	0.9430	20,064	99,076	0.92	93
	\$ 491,711		\$ 46,590	\$ 507,132		\$ (3,399)

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Operations

	Three Years Ended December 29,		
	2002	2001	2000
	(Thousands except per share amounts)		
Net sales	\$ 2,697,029	\$ 3,891,754	\$ 4,644,187
Expenses:			
Cost of sales	2,105,661	2,589,747	2,514,637
Research and development	816,114	650,930	641,799
Marketing, general and administrative	670,065	620,030	599,015
Restructuring and other special charges	330,575	89,305	—
	3,922,415	3,950,012	3,755,451
Operating income (loss)	(1,225,386)	(58,258)	888,736
Gain on sale of Legerity	—	—	336,899
Interest and other income, net	32,132	25,695	86,301
Interest expense	(71,349)	(61,360)	(60,037)
Income (loss) before income taxes, equity in net income of joint venture and extraordinary item	(1,264,603)	(93,923)	1,251,899
Provision (benefit) for income taxes	44,586	(14,463)	256,868
Income (loss) before equity in net income of joint venture and extraordinary item	(1,309,189)	(79,460)	995,031
Equity in net income of joint venture	6,177	18,879	11,039
Net income (loss) before extraordinary item	(1,303,012)	(60,581)	1,006,070
Extraordinary item—debt retirement, net of \$13,497 tax benefit	—	—	(23,044)
Net income (loss)	\$ (1,303,012)	\$ (60,581)	\$ 983,026
Net income (loss) per common share:			
Basic—income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 3.25
Diluted—income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 2.95
Basic—income (loss) after extraordinary item	\$ (3.81)	\$ (0.18)	\$ 3.18
Diluted—income (loss) after extraordinary item	\$ (3.81)	\$ (0.18)	\$ 2.89
Shares used in per share calculations:			
Basic	342,334	332,407	309,331
Diluted	342,334	332,407	350,000

See accompanying notes

Consolidated Balance Sheets

	December 29, 2002	December 30, 2001
(Thousand except par value and number of share amounts)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 428,748	\$ 427,288
Short-term investments	608,957	442,709
Total cash, cash equivalents and short-term investments		
	1,037,705	869,997
Accounts receivable, net of allowance for doubtful accounts of \$18,906 in 2002 and \$19,270 in 2001	395,828	659,783
Inventories:		
Raw materials	22,741	26,489
Work-in-process	254,957	236,679
Finished goods	154,905	117,306
Total inventories		
	432,603	380,474
Deferred income taxes	—	155,898
Prepaid expenses and other current assets	153,542	286,957
Total current assets		
	2,019,678	2,353,109
Property, plant and equipment:		
Land	34,443	33,207
Buildings and leasehold improvements	1,392,972	1,461,228
Equipment	5,256,502	4,356,495
Construction in progress	355,746	469,191
Total property, plant and equipment		
	7,039,663	6,320,121
Accumulated depreciation and amortization	(4,158,854)	(3,517,500)
Property, plant and equipment, net		
	2,880,809	2,802,621
Investment in joint venture	382,942	363,611
Other assets	335,752	127,901
Total assets		
	\$ 5,619,181	\$ 5,647,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	\$ 913	\$ 63,362
Accounts payable	352,438	304,990
Accrued compensation and benefits	131,324	102,420
Accrued liabilities	435,657	427,809
Restructuring accruals	212,541	42,808
Income taxes payable	21,246	56,234
Deferred income on shipments to distributors	57,184	47,978
Current portion of long-term debt, capital lease obligations and other	160,776	268,336
Total current liabilities		
	1,372,079	1,313,937
Deferred income taxes	—	105,305
Long-term debt, capital lease obligations and other, less current portion	1,779,837	672,945
Commitments and contingencies		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; 750,000,000 shares authorized in 2002 and 2001; shares issued: 351,442,331 in 2002 and 347,429,081 in 2001; shares outstanding: 344,528,152 in 2002 and 340,502,883 in 2001	3,445	3,405
Capital in excess of par value	2,014,464	1,982,653
Treasury stock, at cost (6,914,179 shares in 2002 and 6,926,198 shares in 2001)	(93,217)	(93,436)
Retained earnings	492,668	1,795,680
Accumulated other comprehensive income (loss)	49,905	(133,247)
Total stockholders' equity		
	2,467,265	3,555,055
Total liabilities and stockholders' equity		
	\$ 5,619,181	\$ 5,647,242

See accompanying notes

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Consolidated Statements of Stockholders' Equity
Three Years Ended December 29, 2002

	<u>Common Stock</u>		Capital in excess of par value	Treasury Stock	Retained Earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Number of shares	Amount					
	(Thousands)						
December 26, 1999	297,312	\$ 2,973	\$ 1,129,400	\$ (8,921)	\$ 873,235	\$ (17,414)	\$ 1,979,273
Comprehensive income:							
Net income	—	—	—	—	983,026	—	983,026
Other comprehensive loss:							
Net unrealized losses on investments, net of taxes of \$745	—	—	—	—	—	(1,135)	(1,135)
Net change in cumulative translation adjustments	—	—	—	—	—	(75,476)	(75,476)
Total other comprehensive loss							(76,611)
Total comprehensive income							906,415
Issuance of shares:							
Employee stock plans	16,805	168	127,066	(4,240)	—	—	122,994
Conversion of 6% Subordinated Notes	20	—	360	—	—	—	360
Income tax benefits realized from employee stock option exercises	—	—	158,253	—	—	—	158,253
Compensation recognized under employee stock plans	—	—	4,372	—	—	—	4,372
December 31, 2000	314,137	3,141	1,419,451	(13,161)	1,856,261	(94,025)	3,171,667
Comprehensive loss:							
Net loss	—	—	—	—	(60,581)	—	(60,581)
Other comprehensive loss:							
Net unrealized losses on investments, net of taxes of \$5,166	—	—	—	—	—	(9,655)	(9,655)
Plus: Reclassification adjustment for losses included in earnings	—	—	—	—	—	1,583	1,583
Net change in cumulative translation adjustments	—	—	—	—	—	(27,751)	(27,751)
Net unrealized losses on cash flow hedges	—	—	—	—	—	(3,399)	(3,399)
Total other comprehensive loss							(39,222)
Total comprehensive loss							(99,803)
Issuance of shares:							
Employee stock plans	4,734	47	47,147	(3,118)	—	—	44,076
Conversion of 6% Subordinated Notes	27,943	280	509,310	—	—	—	509,590
Common stock repurchases	(6,311)	(63)	—	(77,157)	—	—	(77,220)
Premium from put options issued in Company stock	—	—	2,153	—	—	—	2,153
Compensation recognized under employee stock plans	—	—	4,592	—	—	—	4,592
December 30, 2001	340,503	3,405	1,982,653	(93,436)	1,795,680	(133,247)	3,555,055
Comprehensive loss:							
Net loss	—	—	—	—	(1,303,012)	—	(1,303,012)
Other comprehensive income:							
Net unrealized gains on investments, net of taxes of \$1,397	—	—	—	—	—	2,415	2,415
Less: Reclassification adjustment for gains included in earnings, net of taxes of (\$3,086)	—	—	—	—	—	(5,334)	(5,334)
Net change in cumulative translation adjustments	—	—	—	—	—	153,593	153,593
Net unrealized gains on cash flow hedges, net of taxes of \$33,700	—	—	—	—	—	62,504	62,504
Less: reclassification adjustment for gains included in earnings, net of taxes of (\$16,189)	—	—	—	—	—	(30,026)	(30,026)
Total other comprehensive income							183,152
Total comprehensive loss							(1,119,860)
Issuance of shares:							
Employee stock plans	4,025	40	28,920	219	—	—	29,179
Compensation recognized under employee stock plans	—	—	2,891	—	—	—	2,891
December 29, 2002	344,528	\$ 3,445	\$ 2,014,464	\$ (93,217)	\$ 492,668	\$ 49,905	\$ 2,467,265

See accompanying notes

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Consolidated Statements of Cash Flows

Three Years Ended December 29,

	2002	2001	2000
(Thousands)			
Cash flows from operating activities:			
Net income (loss)	\$ (1,303,012)	\$ (60,581)	\$ 983,026
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Gain on sale of Legerity	—	—	(336,899)
Depreciation	739,608	601,673	558,378
Amortization	16,561	21,194	20,692
Provision for doubtful accounts	1,456	9,791	8,154
Impairment of equity investments	4,654	27,164	—
Provision (benefit) for deferred income taxes	35,427	(36,052)	(19,076)
Restructuring and other special charges	311,250	81,768	—
Foreign grant and subsidy income	(59,324)	(61,843)	(54,059)
Net loss on disposal of property, plant and equipment	11,930	22,371	10,380
Net loss (gain) realized on sale of available-for-sale securities	(5,334)	1,565	—
Compensation recognized under employee stock plans	2,891	4,592	867
Undistributed income of joint venture	(6,177)	(18,879)	(11,039)
Recognition of deferred gain on sale of building	(1,681)	(1,681)	(1,681)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	259,505	(122,174)	(140,479)
Increase in inventories	(51,975)	(36,975)	(156,284)
(Increase) decrease in prepaid expenses	(795)	28,560	79,293
Increase in other assets	(100,221)	(88,775)	(267,163)
Income tax benefits from employee stock option exercises	—	—	158,253
Decrease (increase) in tax refund receivable	63,384	(33,716)	(2,229)
Increase (decrease) in tax payable	(34,988)	(18,572)	57,479
(Refund) receipt of customer deposits under LT purchase agreements	(39,000)	(39,000)	142,500
Net increase (decrease) in payables and accrued liabilities	66,931	(112,785)	175,439
Net cash (used in) provided by operating activities	(88,910)	167,645	1,205,552
Cash flows from investing activities:			
Purchases of property, plant and equipment	(705,147)	(678,865)	(805,474)
Proceeds from sale of Legerity	—	—	375,000
Proceeds from sale of property, plant and equipment	8,618	1,737	12,899
Acquisition of Alchemy Semiconductor, net of cash acquired	(26,509)	—	—
Purchases of available-for-sale securities	(4,465,252)	(4,130,769)	(4,179,993)
Proceeds from sale and maturity of available-for-sale securities	4,333,901	4,376,732	3,781,766
Investment in joint venture	—	(122,356)	—
Net cash used in investing activities	(854,389)	(553,521)	(815,802)
Cash flows from financing activities:			
Proceeds from notes payable to banks	121,251	63,363	—
Proceeds from borrowings, net of issuance costs	1,006,027	308,457	135,789
Payments on debt and capital lease obligations	(324,744)	(137,104)	(375,016)
Proceeds from foreign grants and subsidies	75,727	37,510	15,382
Proceeds from issuance of stock	29,179	36,706	122,994
Repurchase of common stock	—	(77,220)	—
Net cash provided by (used in) financing activities	907,440	231,712	(100,851)
Effect of exchange rate changes on cash and cash equivalents	37,319	(10,005)	8,433
Net increase (decrease) in cash and cash equivalents	1,460	(164,169)	297,332
Cash and cash equivalents at beginning of year	427,288	591,457	294,125
Cash and cash equivalents at end of year	\$ 428,748	\$ 427,288	\$ 591,457
Supplemental disclosures of cash flow information:			
Cash paid (refunded) during the year for:			
Interest, net of amounts capitalized	\$ 45,246	\$ 52,749	\$ 115,791
Income taxes	\$ (14,853)	\$ 68,220	\$ 46,009
Non-cash financing activities:			
Debt converted to common stock	\$ —	\$ 509,590	\$ —
Equipment capital leases	\$ —	\$ 24,255	\$ —

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 29, 2002, December 30, 2001 and December 31, 2000

NOTE 1: Nature of Operations

The Company is a semiconductor manufacturer with manufacturing facilities in the United States, Europe, China and Asia and sales offices throughout the world. The Company designs, manufactures and markets industry-standard digital integrated circuits, or ICs, that are used in many diverse product applications such as personal computers, workstations, servers, communications equipment and automotive and consumer electronics. The Company's products consist of microprocessors, Flash memory devices and personal connectivity solutions.

NOTE 2: Summary of Significant Accounting Policies

Fiscal Year. The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. Fiscal 2002 and 2001 were 52-week years, which ended on December 29 and December 30, respectively. Fiscal 2000 was a 53-week year, which ended on December 31, 2000. Fiscal 2003 will be a 52-week year ending December 28, 2003.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results are likely to differ from those estimates, and such differences may be material to the financial statements.

Investments. The Company classifies its marketable debt and equity securities at the date of acquisition as either held to maturity or available for sale.

Substantially all of the Company's marketable debt and equity securities are classified as available-for-sale. These securities are reported at fair market value with the related unrealized gains and losses included in other comprehensive income (loss), net of tax, a component of stockholders equity. Realized gains and losses and declines in the value of securities determined to be other-than-temporary are included in interest and other income, net. Interest and dividends on all securities are also included in interest and other income, net. The cost of securities sold is based on the specific identification method.

The Company classifies investments with maturities between three and 12 months as short-term investments. Short-term investments consist of money market auction rate preferred stocks and debt securities such as commercial paper, corporate notes, certificates of deposit and marketable direct obligations of United States governmental agencies. Available-for-sale securities with maturities greater than twelve months are classified as short term when they represent investments of cash that are intended to be used in current operations.

Revenue Recognition. The Company recognizes revenue from products sold directly to customers when persuasive evidence of an arrangement exists, the price is fixed or determinable, shipment is made and collectibility is reasonably assured. Estimates of product returns and allowances, based on actual historical experience, are recorded at the time revenue is recognized. The Company sells to distributors under terms allowing the distributors certain rights of return and price protection on unsold merchandise held by them. The distributor agreements, which may be canceled by either party upon specified notice, generally contain a provision for the return of the Company's products in the event the agreement with the distributor is terminated and the distributor's products have not been sold. Accordingly, the Company defers the net gross margin, resulting from the deferral of both revenue and related product costs from sales to distributors with agreements that have the aforementioned terms until the merchandise is resold by the distributors. The Company also sells its

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products to distributors with substantial independent operations under sales arrangements whose terms do not allow for rights of return or price protection on unsold products held by them. In these instances, the Company recognizes revenue when it ships the product directly to the distributors. The Company records estimated reductions to revenue under distributor and customer incentive programs, including certain advertising and marketing promotions, volume based incentives and special pricing arrangements, at the time the related revenues are recognized. Shipping and handling costs associated with product sales are included in cost of sales.

Impairment of Long-lived Assets. The Company accounts for the impairment of long-lived assets in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." For long-lived assets used in operations, the Company records impairment losses when events and circumstances indicate that these assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. If less, the impairment losses are based on the excess of the carrying amounts of these assets over their respective fair values. Their fair values would then become the new cost basis. The fair values are determined by quoted market prices if available. When quoted market prices are not available, the present value of the future estimated net cash flow is generally used. For assets held for sale, impairment losses are measured at the lower of the carrying amount of the assets or the fair value of the assets less costs to sell. For assets to be disposed of other than by sale, impairment losses are measured as their carrying amount less salvage value, if any, at the time the assets cease to be used.

Treasury Stock. The Company accounts for treasury stock using the cost method.

Principles of Consolidation. The consolidated financial statements include the Company's accounts and those of its wholly owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated. Also included in the financial statements, under the equity method of accounting, are the Company's shares of certain investees' results, which primarily include the Company's 49.992 percent share of the operating results of Fujitsu AMD Semiconductor Limited (FASL). Certain prior period amounts have been reclassified to conform to the current period presentation.

Foreign Currency Translation. The functional currency of the Company's foreign subsidiaries, except AMD Saxony Limited Liability Company & Co. KG (AMD Saxony), is the U.S. dollar. Translation adjustments resulting from remeasuring the financial statements of subsidiaries into the U.S. dollar are included in operations. The functional currency of AMD Saxony and FASL are their local currencies. Adjustments resulting from translating the foreign currency financial statements of AMD Saxony and FASL into the U.S. dollar are included as a separate component of accumulated other comprehensive income (loss). The aggregate exchange gain included in determining net income was \$31 million in 2002 and \$6 million in 2000. The aggregate exchange loss included in determining net income was \$16 million in 2001.

Cash Equivalents. Cash equivalents consists of financial instruments that are readily convertible into cash and have original maturities of three months or less at the time of acquisition.

Derivative Financial Instruments. The Company purchases a significant volume of inventory from FASL, AMD's unconsolidated joint venture in Japan, and from AMD Saxony. Purchases from FASL and AMD Saxony are denominated in yen and euros, respectively. Therefore, in the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency rate fluctuations. The Company's general practice is to ensure that material business exposure to foreign exchange risks are identified, measured and minimized using the most effective and efficient methods to eliminate or reduce such exposures. To protect against the reduction in value of forecasted yen and euro denominated cash flows resulting from these transactions, the Company has instituted a foreign currency cash flow hedging program. Under this program, the Company purchases foreign currency forward contracts and sells or purchases foreign currency option contracts, generally expiring within twelve months, to hedge portions of its forecasted foreign currency denominated cash flows. These foreign currency contracts are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gain or loss initially recorded in accumulated other comprehensive income

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(loss) (a component of stockholders' equity) and subsequently recognized in operations in the same period the hedged forecasted transaction affects operations. Generally, the gain or loss on derivative contracts, when recognized in operations, offsets the gain or loss on the hedged foreign currency assets, liabilities, or firm commitments. As of December 29, 2002, the Company expects to reclassify the amount accumulated in other comprehensive income (loss) to operations within the next twelve months upon the recognition in operations of the hedged forecasted transactions. The Company does not use derivatives for speculative or trading purposes.

The effectiveness test for these foreign currency contracts utilized by the Company is the fair value to fair value comparison method. Under this method, the Company includes the time value portion of the change in value of the currency forward contract in its effectiveness assessment.

If a cash flow hedge should be discontinued because it is probable that the original forecasted transaction will not occur, the net gain or loss in accumulated other comprehensive income (loss) will be reclassified into operations as a component of other income and expense, net.

Premiums paid for foreign currency forward and option contracts are immediately charged to operations.

Inventories. Inventories are stated at standard cost adjusted to approximate the lower of actual cost (first-in, first-out method) or market (net realizable value). Inventories on hand in excess of forecasted demand for generally six months or less are not valued. Obsolete inventories are written off.

Restructuring Charges. The Company records restructuring charge in accordance with Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity" (EITF 94-3). Under EITF 94-3 restructuring charges are recorded upon approval of a formal management plan and are included in the operating results of the period in which such plan has been approved. Changes in estimates occur when it is apparent that exit costs will be more or less costly than originally estimated.

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

Foreign Grants and Subsidies. The Company receives investment grants and allowances as well as interest subsidies under a Subsidy Agreement with the Federal Republic of Germany and the State of Saxony. Generally, such grants and subsidies are subject to forfeiture in declining amounts over the life of the agreement, if the Company does not maintain certain levels of employment or meet other agreement conditions. Accordingly, amounts received under the Subsidy Agreement are recorded as a long-term liability on the Company's financial statements and are being amortized to operations ratably over the contractual life of the Subsidy Agreement as a reduction to operating expenses through December of 2008.

Advertising Expenses. Cooperative advertising funding obligations under customer incentive programs are accrued and the costs recorded at the same time the related revenue is recognized. All other advertising costs are expensed as incurred. Advertising expenses for 2002, 2001 and 2000 were approximately \$199 million, \$184 million and \$148 million, respectively.

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Net Income (Loss) Per Common Share.

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

	2002	2001	2000
(Thousands except per share data)			
Numerator:			
Numerator for basic income (loss) per common share before extraordinary item	\$ (1,303,012)	\$ (60,581)	\$ 1,006,070
Numerator for basic extraordinary loss per common share	—	—	(23,044)
Numerator for basic income (loss) per common share	\$ (1,303,012)	\$ (60,581)	\$ 983,026
Numerator for basic income (loss) per common share before extraordinary item	\$ (1,303,012)	\$ (60,581)	\$ 1,006,070
Effect of adding back interest expense associated with convertible debentures	—	—	27,507
Numerator for diluted income (loss) per common share before extraordinary item	\$ (1,303,012)	\$ (60,581)	\$ 1,033,127
Numerator for diluted extraordinary loss per common share	—	—	(23,044)
Numerator for diluted income (loss) per common share after extraordinary item	\$ (1,303,012)	\$ (60,581)	\$ 1,010,083
Denominator:			
Denominator for basic income (loss) per share—weighted average shares	342,334	332,407	309,331
Effect of dilutive securities:			
Employee stock options	—	—	12,711
Convertible debentures	—	—	27,958
Potential dilutive common shares	—	—	40,669
Denominator for diluted income (loss) per common share—adjusted weighted-average shares	342,334	332,407	350,000
Net income (loss) per common share:			
Basic:			
Income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 3.25
Extraordinary item	\$ —	\$ —	\$ (0.07)
Net income (loss)	\$ (3.81)	\$ (0.18)	\$ 3.18
Diluted:			
Income (loss) before extraordinary item	\$ (3.81)	\$ (0.18)	\$ 2.95
Extraordinary item	\$ —	\$ —	\$ (0.06)
Net income (loss)	\$ (3.81)	\$ (0.18)	\$ 2.89

Potential dilutive common shares of approximately 27.4 million and 14.4 million for the year ended December 29, 2002 and December 30, 2001, respectively, were not included in the net loss per common share calculation, as their inclusion would have been antidilutive.

Accumulated Other Comprehensive Income (Loss). Unrealized gains or losses on the Company's available-for-sale securities, deferred gains and losses on derivative financial instruments qualifying as cash flow hedges and foreign currency translation adjustments are included in accumulated other comprehensive income (loss).

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The following are the components of accumulated other comprehensive income (loss):

	2002	2001
	(Thousands)	
Net unrealized gain on investments, net of taxes of \$1,250 in 2002 and \$2,939 in 2001	\$ 2,152	\$ 5,071
Net unrealized gain (loss) on cash flow hedges, net of taxes of \$17,511 in 2002 and \$0 in 2001	29,079	(3,399)
Cumulative translation adjustments	18,674	(134,919)
	\$ 49,905	\$ (133,247)

Stock-based Compensation and Employee Stock Plans. The Company uses the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employee" (APB 25), to account for stock options issued to its employees under its stock option plans and amortizes deferred compensation, if any, over the vesting period of the options. Compensation expense resulting from the issuance of fixed term stock option awards is measured as the difference between the exercise price of the option and the fair market value of the underlying share of company stock subject to the option on the award's grant date. The Company has elected to make pro forma fair value disclosures as permitted by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). The Company estimates the fair value of its stock-based awards to employees using a Black-Scholes option pricing model. See Note 10 for detailed assumptions used by the Company to compute the fair value of stock-based awards for purposes of pro forma disclosures under SFAS 123.

	2002	2001	2000
	(Thousands except per share amounts)		
Net income/(loss)—as reported	\$ (1,303,012)	\$ (60,581)	\$ 983,026
Plus: compensation expense recorded under APB 25	2,891	4,592	4,372
Less: SFAS 123 compensation expenses	(149,827)	(122,929)	(156,903)
Net income/(loss)—pro forma	\$ (1,449,948)	\$ (178,918)	\$ 830,495
Basic net income/(loss) per share—as reported	\$ (3.81)	\$ (0.18)	\$ 3.18
Diluted net income/(loss) per share—as reported	\$ (3.81)	\$ (0.18)	\$ 2.89
Basic net income/(loss) per share—pro forma	\$ (4.24)	\$ (0.54)	\$ 2.68
Diluted net income/(loss) per share—pro forma	\$ (4.24)	\$ (0.54)	\$ 2.37

New Accounting Pronouncements. In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the amortization and impairment provisions of SFAS 142 are effective upon the adoption of SFAS 142. The Company adopted SFAS 141 and SFAS 142 at the beginning of 2002. These accounting standards did not have a material effect on the Company's consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), which supersedes both Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a

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Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets to be “held and used.” In addition, the statement provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset or group of assets to be disposed of other than by sale be classified as “held-and-used” until they are disposed of, and establishes more restrictive criteria to classify an asset or group of assets as “held for sale.” SFAS 144 also retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). The Company adopted SFAS 144 at the beginning of 2002 which had no impact on the Company’s consolidated financial position or results of operations on the date of adoption.

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)” (EITF 94-3). The principal difference between SFAS 146 and EITF 94-3 relates to SFAS 146’s timing for recognition of a liability for a cost associated with an exit or disposal activity. SFAS 146 requires that a liability for an exit cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3 a liability for an exit cost, as generally defined in EITF 94-3, was recognized at the date of an entity’s commitment to an exit plan. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company will adopt SFAS 146 prospectively as of December 30, 2002, the beginning of fiscal year 2003, and, therefore, its adoption is not expected to have any impact on the Company’s current financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements regarding its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions related to the disclosure requirements of this interpretation are effective for financial statements of periods ending after December 15, 2002. The provisions related to recognition and measurement are applicable prospectively to guarantees issued or modified after December 31, 2002. As required, the Company adopted the disclosure provisions in the financial statements for the fiscal year ended December 29, 2002. The Company is still assessing the recognition and initial measurement requirements of FIN 45 and, at this point, does not believe the adoption of FIN 45 will have a material effect on its results of operations or financial condition.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure” (SFAS 148), which provides for alternative methods to transition to the fair value method of accounting for stock options in accordance with provisions of FASB Statement No. 123, “Accounting for Stock Based Compensation.” In addition, SFAS 148 requires disclosure of the effects of an entity’s accounting policy with respect to stock-based compensation on reported net income and earnings per share in annual and interim financial statements. The Company adopted the annual disclosure provisions of SFAS 148 in the financial statements for the fiscal year ended December 29, 2002 and will adopt the interim disclosure requirements beginning in the first quarter of fiscal 2003. The transition provisions of SFAS 148 are currently not applicable to the Company as it continues to account for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25.

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (FIN 46). Variable interest entities often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, or other transactions or arrangements. Formerly “Consolidation of Certain Special Purpose Entities” in its draft form, this interpretation of Accounting Research

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Bulletin No. 51, "Consolidated Financial Statements," defines what these variable interest entities are and provides guidelines on how to identify them and also on how an enterprise should assess its interests in a variable interest entity to decide whether to consolidate that entity. Generally, FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. For existing variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003, the provision of this interpretation will apply no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. Currently, the Company does not have any variable interest entities and the Company does not expect the adoption of FIN 46 will have a material impact on the Company's results of operations or financial condition.

NOTE 3: Sale of Subsidiary

The Company sold 90 percent of Legerity for approximately \$375 million in cash to Francisco Partners, L.P., effective July 31, 2000. Prior to the sale, Legerity was a wholly owned subsidiary of AMD, selling voice communications products. The Company's pre-tax gain on the sale of Legerity was \$337 million. The gain was computed based on the excess of the consideration received for Legerity's net assets as of July 31, 2000, less direct expenses related to the sale. The applicable tax rate on the gain was 37 percent resulting in an after-tax gain of \$212 million.

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NOTE 4: Financial Instruments

Available-for-sale securities held by the Company as of December 29, 2002 and December 30, 2001 are as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
(Thousands)				
2002				
Cash equivalents:				
Commercial paper	\$ 12,465	\$ 8	\$ —	\$ 12,473
Federal agency notes	1,800	—	—	1,800
Money market funds	108,908	171	—	109,079
Total cash equivalents	\$ 123,173	\$ 179	\$ —	\$ 123,352
Short-term investments:				
Bank notes	\$ 13,326	\$ 313	\$ —	\$ 13,639
Corporate notes	95,933	976	(129)	96,780
Money market auction rate preferred stocks	268,071	171	—	268,242
Federal agency notes	226,192	2,016	—	228,208
Municipal bonds	2,080	8	—	2,088
Total short-term investments	\$ 605,602	\$ 3,484	\$ (129)	\$ 608,957
Long-term investments:				
Equity investments	\$ 8,023	\$ 988	\$ (1,126)	\$ 7,885
Total long-term investments	\$ 8,023	\$ 988	\$ (1,126)	\$ 7,885
Grand Total	\$ 736,798	\$ 4,651	\$ (1,255)	\$ 740,194
2001				
Cash equivalents:				
Commercial paper	\$ 76,976	\$ 545	\$ —	\$ 77,521
Certificates of deposit	10,001	240	—	10,241
Federal agency notes	38,357	260	—	38,617
Money market funds	152,122	18	—	152,140
Total cash equivalents	\$ 277,456	\$ 1,063	\$ —	\$ 278,519
Short-term investments:				
Money market auction rate preferred stocks	\$ 128,130	\$ 158	\$ (14)	\$ 128,274
Municipal bonds	1,331	—	—	1,331
Floating rate notes	155,729	5	(290)	155,444
Federal agency notes	153,343	114	(832)	152,625
Tax exempt money market fund	5,000	35	—	5,035
Total short-term investments	\$ 443,533	\$ 312	\$ (1,136)	\$ 442,709
Long-term investments:				
Equity investments	\$ 11,571	\$ 8,257	\$ (486)	\$ 19,342
Total long-term investments	\$ 11,571	\$ 8,257	\$ (486)	\$ 19,342
Grand Total	\$ 732,560	\$ 9,632	\$ (1,622)	\$ 740,570

Long-term equity investments consist of marketable equity securities that, while available for sale, are not intended to be used to fund current operations.

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The amortized cost and estimated fair value of available-for-sale marketable debt securities at December 29, 2002, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(Thousands)	
Due in one year or less	\$ 336,195	\$ 336,499
Due after one year through five years	269,407	272,458
Total	\$ 605,602	\$ 608,957

The Company realized net gains from the sale of available-for-sale securities in 2002 of \$5.3 million and net losses of \$1.6 million in 2001. The Company did not sell any available-for-sale securities in 2000.

At December 29, 2002 and December 30, 2001, the Company had approximately \$13 million of investments classified as held to maturity, consisting of commercial paper and treasury notes used for long term workers compensation and leasehold deposits, that are included in other assets.

Included in cash and cash equivalents is a compensating balance of \$108 million under the terms of the Dresden Loan Agreements (See Notes 7 and 12). Also included in cash and cash equivalents is \$31 million of restricted cash associated with the advance receipt of interest subsidies from the Federal Republic of Germany and the State of Saxony. Restrictions over the Company's access to the restricted cash will lapse as the Company incurs qualifying interest expense on the Dresden term loans (See Notes 7 and 12) over the next four quarters.

Fair Value of Other Financial Instruments

The Company estimates the fair value of debt using a discounted cash flow analysis based on estimated interest rates for similar types of currently available borrowing arrangements with similar remaining maturities. The carrying amounts and estimated fair values of the Company's debt are as follows:

	2002		2001	
	Carrying amount	Estimated Fair Value	Carrying amount	Estimate Fair Value
	(Thousands)			
Notes payable to banks	\$ 913	\$ 913	\$ 63,362	\$ 63,362
Long-term debt and capital leases:				
Capital leases	40,321	36,587	32,469	31,550
Long-term debt (excluding capital leases)	1,599,734	1,493,840	603,236	571,679
Total long-term debt and capital leases	1,640,055	1,530,427	635,705	603,229
Less: current portion	71,348	107,551	197,803	216,496
Total long-term debt and capital leases, less current portion	\$ 1,568,707	\$ 1,422,876	\$ 437,902	\$ 386,733

The fair value of the Company's accounts receivable and accounts payable approximate book value based on existing payment terms.

[Table of Contents](#)**NOTE 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 derivative 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. The Company acquires investments in time deposits and certificates of deposit 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, and generally does not require collateral from its customers.

The counterparties to the agreements relating to the Company's derivative financial instruments consist of a number of large 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 Company's obligations to the counterparties.

NOTE 6: Income Taxes

The provision (benefit) for income taxes consists of:

	2002	2001	2000
	(Thousands)		
Current:			
U.S. Federal	\$ —	\$ —	\$ 251,849
U.S. State and Local	—	(6)	3,599
Foreign National and Local	9,159	21,595	20,496
Total	9,159	21,589	275,944
Deferred:			
U.S. Federal	9,757	(30,192)	25,163
U.S. State and Local	24,602	(7,321)	(43,789)
Foreign National and Local	1,068	1,461	(450)
Total	35,427	(36,052)	(19,076)
Provision (benefit) for income taxes	\$ 44,586	\$ (14,463)	\$ 256,868

Tax benefits resulting from the exercise of nonqualified stock options and the disqualifying disposition of shares issued under the Company's stock-based compensation plans reduced taxes currently payable by \$158.3 million in 2000. Such benefits were credited to capital in excess of par value.

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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 balances for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 29, 2002 and December 30, 2001 are as follows:

	2002	2001
	(Thousands)	
Deferred tax assets:		
Net operating loss carryovers	\$ 307,802	\$ 4,147
Deferred distributor income	19,774	17,730
Inventory valuation	85,173	74,434
Accrued expenses not currently deductible	110,758	74,063
Investments	43,805	29,237
Federal and state tax credit carryovers	128,306	76,234
Other	89,777	62,189
Total deferred tax assets	785,395	338,034
Less: valuation allowance	(560,063)	(24,559)
	225,332	313,475
Deferred tax liabilities:		
Depreciation	(128,612)	(175,878)
Capitalized Interest	(35,245)	(30,967)
Unremitted foreign earnings	(30,400)	(27,400)
Other	(31,075)	(28,637)
Total deferred tax liabilities	(225,332)	(262,882)
Net deferred tax assets (liabilities)	\$ —	\$ 50,593

In 2002, the valuation allowance for deferred tax assets increased by \$536 million to provide a valuation allowance against all of the Company's net deferred tax assets. Approximately \$26 million of the valuation allowance for deferred tax assets is for the stock option deduction arising from activity under the Company's stock option plans, the benefits of which will increase capital in excess of par value when realized. In 2001, the valuation allowance for deferred tax assets increased by \$25 million due to the stock option deduction arising from activity under the Company's stock option plans, the benefits of which will increase capital in excess of par value when realized. In 2000, the valuation allowance for deferred tax assets decreased by \$215 million due to the realization of tax benefits from operating losses incurred during 1999. Pre-tax loss from foreign operations was \$17 million in 2002. Pre-tax income from foreign operations was approximately \$52 million in 2001 and \$83 million in 2000.

As of December 29, 2002, the Company had federal and state net operating loss carryforwards of approximately \$865 million and \$89 million, respectively. The Company also had federal and state tax credit carryforwards of approximately \$92 million and \$36 million, respectively. The net operating loss and tax credit carryforwards will expire at various dates beginning in 2005 through 2022, if not utilized.

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The table below displays a reconciliation between statutory federal income taxes and the total provision (benefit) for income taxes.

	Tax	Rate
(Thousands except percent)		
2002		
Statutory federal income tax expense	\$ (442,611)	(35.0)%
State taxes, net of federal benefit	24,602	1.9
Tax-exempt foreign sales corporation income	—	—
Residual U.S. tax on previously reinvested earnings	—	—
Restructuring charges at other than U.S. rates	—	—
Tax credits	—	—
Net Operating losses not currently benefited	462,595	36.6
Other	—	—
	\$ 44,586	3.5 %
(Thousands except percent)		
2001		
Statutory federal income tax expense	\$ (32,872)	(35.0)%
State taxes, net of federal benefit	(4,762)	(5.1)
Tax-exempt foreign sales corporation income	(2,394)	(2.5)
Residual U.S. tax on previously reinvested earnings	21,663	23.1
Restructuring charges at other than U.S. rates	11,082	11.8
Tax credits	(6,018)	(6.4)
Other	(1,162)	(1.3)
	\$ (14,463)	(15.4)%
(Thousands except percent)		
2000		
Statutory federal income tax expense	\$ 438,165	35.0 %
State taxes, net of federal benefit	9,292	0.7
Tax-exempt foreign sales corporation income	(1,756)	(0.2)
Foreign income at other than U.S. rates	(9,091)	(0.7)
Valuation allowance utilized	(177,008)	(14.1)
Tax credits	(5,000)	(0.4)
Other	2,266	0.2
	\$ 256,868	20.5 %

The Company has made no provision for U.S. income taxes on approximately \$366 million of cumulative undistributed earnings of certain foreign subsidiaries because it is the Company's intention to permanently reinvest such earnings. If such earnings were distributed, the Company would accrue additional taxes of approximately \$107 million.

NOTE 7: Debt

On July 13, 1999, the Company entered into a Loan and Security Agreement (the July 1999 Loan Agreement) with a consortium of banks led by a domestic financial institution. Under the Loan Agreement,

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which provides for a four-year secured revolving line of credit of up to \$200 million, the Company can borrow, subject to amounts which may be set aside by the lenders, up to 85 percent of its eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of its eligible accounts receivable from distributors. The Company must comply with certain financial covenants if the level of net domestic cash (as defined in the July 1999 Loan Agreement) it holds declines below \$200 million or the amount of borrowing under the Loan Agreement rises to 50 percent of available credit. At December 29, 2002, net domestic cash, as defined, totaled \$718 million. The July 1999 Loan Agreement restricts the Company's ability to pay cash dividends if the level of net cash it holds declines below \$200 million. The Company's obligations under the July 1999 Loan Agreement are secured by a pledge of all of its accounts receivable, inventory, general intangibles and the related proceeds. As of December 29, 2002, there was no amount outstanding under the July 1999 Loan Agreement.

The Company's subsidiaries have lines of credit totaling approximately \$18 million. As of December 29, 2002, the amount outstanding under these lines of credit was approximately \$1 million. The weighted-average interest rate on the amounts outstanding at year-end was 5.26%.

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

The Company's long-term debt, capital lease obligations and other long-term liabilities as of the years ended 2002 and 2001 consist of:

	2002	2001
	(Thousands)	
4.75% Convertible Senior Debentures due 2022	\$ 500,000	\$ —
4.50% Convertible Senior Notes due 2007	402,500	—
Term loan under the September 2002 Loan Agreement	110,000	—
Term loan under the Dresden Loan Agreement with a weighted-average interest rate of 5.40 percent and principal due between June 2001 and December 2005, secured by the Fab 30 facility and equipment (see Note 12)	587,234	602,046
Obligations under capital leases	40,321	32,469
Commercial Mortgage	—	1,190
	1,640,055	635,705
Other long-term liabilities	300,558	305,576
	1,940,613	941,281
Less: current portion	160,776	268,336
Long-term debt, capital lease obligations and other long-term liabilities, less current portion	\$ 1,779,837	\$ 672,945

On January 29, 2002, the Company issued \$500 million of the Company's 4.75% Convertible Senior Debentures Due 2022 (the 4.75% Debentures) in a private offering pursuant to Rule 144A and Regulation S of the Securities Act.

The interest rate payable on the 4.75% Debentures will reset on each of August 1, 2008, August 1, 2011 and August 1, 2016 to a rate per annum equal to the interest rate payable 120 days prior to the reset dates on 5-year U.S. Treasury Notes, plus 43 basis points. The interest rate will not be less than 4.75 percent and will not exceed 6.75 percent. Holders have the right to require the Company to repurchase all or a portion of the Company's 4.75% Debentures on February 1, 2009, February 1, 2012, and February 1, 2017. The holders of the 4.75% Debentures will also have the ability to require the Company to repurchase the 4.75% Debentures in the event that the Company undergoes specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.75% Debentures plus accrued and unpaid interest. The 4.75% Debentures are convertible by the holders into the Company's common

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stock at a conversion price of \$23.38 per share at any time. At this conversion price, each \$1,000 principal amount of the 4.75% Debentures will be convertible into approximately 43 shares of the Company's common stock. Issuance costs incurred in the amount of approximately \$14 million are being amortized ratably, which approximates the interest method, over the term of the 4.75% Debentures as interest expense.

Beginning on February 5, 2005, the 4.75% Debentures are redeemable by the Company for cash at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest at the Company's option, provided that the Company may not redeem the 4.75% Debentures prior to February 5, 2006 unless the last reported sale price of the Company's common stock is at least 130 percent of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice.

The redemption prices are as follows for the specified periods:

Period	Price
Beginning on February 5, 2005 through February 4, 2006	102.375%
Beginning on February 5, 2006 through February 4, 2007	101.583%
Beginning on February 5, 2007 through February 4, 2008	100.792%
Beginning on February 5, 2008	100.000%

In November 2002, the Company sold \$402.5 million of 4.50% Convertible Senior Notes due December 1, 2007 (the 4.50% Notes) in a registered offering. Interest on the 4.50% Notes is payable semiannually in arrears on December 1 and June 1 of each year, beginning June 1, 2003. Beginning on December 4, 2005, the 4.50% Notes are redeemable by the Company at its option for cash at specified prices expressed as a percentage of the outstanding principal amount plus accrued and unpaid interest provided that the Company may not redeem the 4.50% Notes unless the last reported sale price of its common stock is at least 150 percent of the then effective conversion price for at least twenty trading days within a period of thirty trading days ending within five trading days of the date of the redemption notice.

The redemption prices are as follows for the specified periods:

Period	Price
Beginning on December 4, 2005 through November 30, 2006	101.8%
Beginning on December 1, 2006 through November 30, 2007	100.9%
On December 1, 2007	100.0%

The 4.50% Notes are convertible at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date of December 1, 2007, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$7.37 per share, subject to adjustment in certain circumstances. At this conversion price, each \$1,000 principal amount of the 4.50% Notes will be convertible into approximately 135 shares of the Company's common stock. Issuance costs incurred in the amount of approximately \$12 million are being amortized ratably, which approximates the interest method, over the term of the 4.50% Notes as interest expense.

Holders have the right to require the Company to repurchase all or a portion of its 4.50% Notes in the event that it undergoes specified fundamental changes, including a change of control. In each such case, the redemption or repurchase price would be 100 percent of the principal amount of the 4.50% Notes plus accrued and unpaid interest.

On September 27, 2002, the Company entered into a term loan and security agreement with a domestic financial institution (the September 2002 Loan Agreement). Under the agreement, the Company can borrow up to

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\$155 million to be secured by certain property, plant and equipment located at the Company's Fab 25 semiconductor manufacturing facility in Austin, Texas. Amounts borrowed under the September 2002 Loan Agreement bear interest at a variable rate of LIBOR plus four percent, which was 5.8 percent at December 29, 2002. Repayment occurs in equal, consecutive, quarterly principal and interest installments ending in September 2006. As of December 29, 2002, \$110 million was outstanding under the September 2002 Loan Agreement. The Company must also comply with certain financial covenants if the Company's net domestic cash balance (as defined in the September 2002 Loan Agreement) drops below \$300 million. The September 2002 Loan Agreement restricts the Company's ability to pay cash dividends on its common stock if its level of net domestic cash declines below \$300 million. At December 29, 2002, net domestic cash, as defined, totaled \$718 million.

The above debt agreements limit the Company and its subsidiaries' ability to engage in various transactions and require satisfaction of specified financial performance criteria. As of December 29, 2002, the Company was in compliance with all restrictive covenants of such debt agreements.

The gross amount of assets recorded under capital leases totaled approximately \$109 million and \$92 million as of December 29, 2002 and December 30, 2001, and are included in the related property, plant and equipment category. Amortization of assets recorded under capital leases is included in depreciation expense. Accumulated amortization of these leased assets was approximately \$74 million and \$47 million as of December 29, 2002 and December 30, 2001.

Included in other long-term liabilities is \$208 million of deferred grants and subsidies related to the Fab 30 project. (See Notes 2 and 12.) Also included in other long-term liabilities is a deferred gain of \$27 million as of December 29, 2002, as a result of the sale and leaseback of the Company's corporate marketing, general and administrative facility in Sunnyvale, California in 1998. The Company is amortizing the deferred gain ratably over the lease term, which is 20 years. (See Note 12.) In addition, other long-term liabilities include \$64.5 million in customer cash deposits related to multi-year memory product supply agreements, which guarantee customers' specific volume purchases.

Under certain circumstances, cross-defaults result under the July 1999 Loan Agreement, the Dresden Loan Agreements, the September 2002 Loan Agreement, the 4.75% Debentures and the 4.50% Notes.

For each of the next five years and beyond, the Company's debt and capital lease obligations are:

	Long-term debt (Principal only)	Capital leases	Total
	(Thousands)		
2003	\$ 58,439	\$ 18,381	\$ 76,820
2004	58,752	16,897	75,649
2005	308,773	5,970	314,743
2006	271,270	3,298	274,568
2007	402,500	—	402,500
Beyond 2007	500,000	—	500,000
Total	1,599,734	44,546	1,644,280
Less: amount representing interest	—	4,225	4,225
Total at present value	\$ 1,599,734	\$ 40,321	\$ 1,640,055

Table of Contents**NOTE 8: Interest Expense & Interest and Other Income, Net***Interest Expense*

	2002	2001	2000
		(Thousands)	
Total interest charges	\$ 82,060	\$ 68,403	\$ 86,488
Less: interest capitalized	(10,711)	(7,043)	(26,451)
Interest expense	\$ 71,349	\$ 61,360	\$ 60,037

In 2002, interest expense consisted primarily of interest incurred under the Dresden Loan Agreement and interest on the Company's 4.75% Debentures issued in January 2002. In 2001, interest expense consisted primarily of interest incurred under the Dresden Loan Agreement and interest on the Company's 6% Convertible Subordinated Notes due 2005 issued in May 1998, which were redeemed in May 2001.

Interest and Other Income, Net

	2002	2001	2000
		(Thousands)	
Interest income	\$ 35,390	\$ 56,424	\$ 59,228
Other income (loss), net	(3,258)	(30,729)	27,073
	\$ 32,132	\$ 25,695	\$ 86,301

Other income (loss), net in 2002 and 2001 consisted of charges for other than temporary declines in the value of the Company's marketable debt and equity securities investments totaling approximately \$4.7 million and \$27 million, respectively.

NOTE 9: Segment Reporting

AMD operated in two reportable segments during 2002: the Core Products segment, which reflects the aggregation of the PC processor, memory products and Other IC products operating segments, and the Foundry Services segment. The aggregation of the Company's operating segments into the Company's reporting segments was made pursuant to the aggregation criteria set forth in Statement of Financial Accounting Standards No. 131 (SFAS 131). The Core Products segment includes microprocessors, Flash memory devices, Erasable Programmable Read-Only Memory (EPROM) devices, embedded processors, platform products, personal connectivity solutions products and networking products. The Foundry Services segment includes fees for products sold to Legerity and Vantis. During 2000, the Company also operated in the Voice Communications segment. The Voice Communications segment included voice communications products of the Company's former subsidiary, Legerity, until July 31, 2000, the effective date of its sale. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. The Company evaluates performance and allocates resources based on these segments' operating income (loss).

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The following table is a summary of operating income (loss) by segment for 2002, 2001 and 2000.

	2002	2001	2000
(Thousands)			
Net sales:			
Core Products segment			
External customers	\$ 2,662,864	\$ 3,793,962	\$ 4,361,398
	2,662,864	3,793,962	4,361,398
Foundry Services segment—external customers	34,165	97,792	142,480
Voice Communications segment—external customers	—	—	140,309
Total net sales	\$ 2,697,029	\$ 3,891,754	\$ 4,644,187
Segment operating income (loss):			
Core Products segment	\$ (845,626)	\$ 71,530	\$ 831,749
Foundry Services segment*	(7,185)	(33,582)	22,000
Voice Communications segment	—	—	34,987
Total segment operating income (loss)	(852,811)	37,948	888,736
Gain on sale of Legerity	—	—	336,899
Interest income and other, net	32,132	25,695	86,301
Interest expense	(71,349)	(61,360)	(60,037)
Restructuring and other special charges	(330,575)	(89,305)	—
Unallocated research and development expenses	(42,000)	—	—
Additional inventory provision	—	(6,901)	—
Benefit (provision) for income taxes	(44,586)	14,463	(256,868)
Equity in net income of FASL	6,177	18,879	11,039
Extraordinary item—debt retirement, net of tax benefit	—	—	(23,044)
Net income (loss)	\$ (1,303,012)	\$ (60,581)	\$ 983,026
Total assets:			
Core Products segment			
Assets excluding investment in FASL	\$ 5,236,239	\$ 5,283,631	\$ 5,506,007
Investment in FASL	382,942	363,611	261,728
Total assets	\$ 5,619,181	\$ 5,647,242	\$ 5,767,735
Expenditures for long-lived assets:			
Core Products segment	\$ 705,147	\$ 703,120	\$ 803,065
Voice Communications segment	—	—	2,409
Total expenditures for long-lived assets	\$ 705,147	\$ 703,120	\$ 805,474
Depreciation and amortization expense:			
Core Products segment	\$ 756,169	\$ 622,867	\$ 578,302
Voice Communications segment	—	—	768
Total depreciation and amortization expense	\$ 756,169	\$ 622,867	\$ 579,070

* Operations of the Foundry Services segment are conducted using assets of the Core Products segment.

The Company's operations outside the United States include both manufacturing and sales activities. The Company's manufacturing subsidiaries are located in Germany, Malaysia, Thailand, Singapore and China. Its sales subsidiaries are in Europe, Asia Pacific and Brazil.

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The following table summarizes sales and long-lived assets by geographic areas as of and for each of the three years ended December 29, 2002:

	2002		2001		2000	
	(Thousands)					
Sales to external customers:						
United States	\$	781,174	\$	1,327,403	\$	1,875,408
Europe		945,836		1,492,428		1,553,808
Asia Pacific		970,019		1,071,923		1,214,971
	\$	2,697,029	\$	3,891,754	\$	4,644,187
Long-lived assets:						
United States	\$	1,020,914	\$	1,079,882	\$	1,220,193
Germany		1,552,486		1,335,861		1,064,308
Other Europe		2,090		2,825		3,188
Asia Pacific		305,319		320,570		348,778
	\$	2,880,809	\$	2,739,138	\$	2,636,467

Sales to external customers are based on the customer's billing location. Long-lived assets are those assets used in each geographic area.

The Company markets and sells its products primarily to a broad base of customers comprised of distributors and OEMs of computation and communications equipment. No distributor accounted for ten percent or more of net sales in 2002, 2001 and 2000. No OEM customer accounted for more than ten percent of net sales in 2002 and 2001. In 2000, one of the Company's OEMs accounted for approximately 11 percent of net sales.

NOTE 10: Stock-Based Incentive Compensation 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. Compensation expense, if any, recorded upon the issuance of stock options, is computed using the intrinsic value method. Generally options vest and become exercisable over 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% of the fair market value of the common stock on the date of grant. Exercise prices of NSOs range from \$0.01 to the fair market value of the common stock on the date of grant.

The following table summarizes stock option activity and related information for the fiscal years presented:

	2002		2001		2000	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
	(Shares in thousands)					
Options:						
Outstanding at beginning of year	52,943	\$ 20.44	43,852	\$ 20.70	41,988	\$ 8.37
Granted	11,829	5.62	14,088	16.91	21,044	35.07
Canceled	(3,413)	20.34	(1,444)	25.31	(3,247)	18.84
Exercised	(951)	6.23	(3,553)	7.56	(15,933)	7.01
Outstanding at end of year	60,408	\$ 18.58	52,943	\$ 20.44	43,852	\$ 20.70
Exercisable at end of year	33,807	19.55	22,465	17.63	14,667	9.64
Available for grant at beginning of year	21,146		11,803		6,114	
Available for grant at end of year	13,019		21,146		11,803	

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The following table summarizes information about options outstanding as of December 29, 2002:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of shares	Weighted-average exercise price
			(Shares in thousands)		
\$ 0.01 – \$ 8.46	15,291	6.89	\$ 6.98	7,763	\$ 7.26
\$ 8.47 – \$13.70	15,778	7.36	10.83	9,398	10.47
\$13.75 – \$26.90	15,476	7.74	19.13	7,693	19.46
\$27.20 – \$45.91	13,863	7.45	39.57	8,953	39.80
\$ 0.01 – \$45.91	60,408	7.36	\$ 18.58	33,807	\$ 19.55

Stock Purchase Plan. The Company has an employee stock purchase plan (ESPP) that allows eligible and participating employees to purchase, through payroll deductions, shares of the Company's common stock at 85 percent of the lower of the fair market value on the first or the last business day of the three month offering period. As of December 29, 2002, 3,168,730 common shares remained available for issuance under the plan. A summary of stock purchased under the plan for the specified fiscal years is shown below:

	2002	2001	2000
	(Thousands)		
Aggregate purchase price	\$ 23,488	\$ 16,816	\$ 12,388
Shares purchased	3,177	1,220	815

The weighted-average fair value of shares purchased under the Company's employee stock purchase plan during 2002, 2001 and 2000 were \$2.26, \$3.82 and \$5.54 per share, respectively.

Stock Appreciation Rights. The Company granted stock appreciation rights (SARs) to key employees under the 1992 stock incentive plan. The 1992 plan expired by its terms in 2001 and the last SARs were granted in 1991. Generally, the terms of SARs granted under the plan were similar to those of options granted under the stock incentive plans, including exercise prices, exercise dates and expiration dates. The Company granted only limited SARs, which become exercisable in the event of certain changes in control of AMD.

Restricted Stock Awards. In 1998, the Company adopted the 1998 stock incentive plan under which the Company was authorized to issue two million shares of common stock to employees who are not covered by Section 16 of the Securities Exchange Act of 1934, as amended, subject to terms and conditions determined at the discretion of the Company's Board of Directors. To date, the Company has canceled agreements covering 40,791 shares without issuance and the Company has issued 370,524 shares pursuant to prior agreements. As of December 29, 2002, agreements covering 49,850 shares were outstanding. Activity under this plan is included in the accompanying tables summarizing activity under the Company's employee stock plans.

Shares Reserved for Issuance. The Company had a total of approximately 76,596,127 shares of common stock reserved as of December 29, 2002 for issuance under employee stock option plans and the ESPP, including restricted stock awards.

Stock-Based Compensation—Pro Forma Disclosures. For pro forma disclosure purposes only, the Company estimates the fair value of its stock-based awards to employees using a Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating fair value of traded options that have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions including expected stock price volatility. Because our stock-based awards to employees have characteristics significantly differently 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 our stock-based awards to employees. The

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fair value of our stock-based awards to employees was estimated assuming no expected dividends and the following weighted-average assumptions:

	Options			ESPP		
	2002	2001	2000	2002	2001	2000
Expected life (years)	3.17	3.02	4.27	0.25	0.25	0.25
Expected stock price volatility	84.68%	83.43%	72.10%	99.00%	85.03%	87.95%
Risk-free interest rate	2.93%	3.57%	6.55%	1.87%	2.58%	5.95%

The Company granted a total of 11,527,551 stock-based awards during 2002 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 \$9.86 and \$5.48, respectively. The Company granted a total of 114,980 stock-based awards during 2002 with exercise prices greater 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 \$12.73 and \$5.89, respectively. The Company granted a total of 186,157 stock-based awards during 2002 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 \$0.08 and \$13.70, respectively.

The Company granted a total of 13,870,950 stock-based awards during 2001 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 \$16.93 and \$9.27, respectively. The Company granted a total of 157,476 stock-based awards during 2001 with exercise prices greater 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 \$21.21 and \$0.11, respectively. The Company granted a total of 59,115 stock-based awards during 2001 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 \$1.08 and \$22.54, respectively. The Company granted a total of 20,702,856 stock-based awards during 2000 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 \$35.12 and \$21.00, respectively. The Company granted a total 25,800 stock-based awards during 2000 with exercise prices greater 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 \$26.92 and \$0.02, respectively. The Company granted a total of 315,510 stock-based awards during 2000 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 \$4.92 and \$31.25, respectively.

NOTE 11: Other Employee Benefit Plans

Profit Sharing Program. The Company has a profit sharing program to which the Board of Directors may authorize quarterly contributions. There was no profit sharing expense in 2002. Profit sharing expense was approximately \$25 million in 2001 and \$103 million in 2000.

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 Internal Revenue Service limits. The Company matches employee contributions at a rate of 50 cents on each dollar of the first six percent of participants' contributions, to a maximum of three percent of eligible compensation. The contributions to the 401(k) plan were approximately \$14 million in 2002, \$11 million in 2001, and \$10 million in 2000.

NOTE 12: Commitments and Guarantees

The Company leases certain of its facilities under agreements that expire at various dates through 2018. The Company also leases certain of its manufacturing and office equipment for terms ranging from one to five years. Rent expense was approximately \$65 million, \$62 million and \$48 million in 2002, 2001 and 2000, respectively.

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For each of the next five years and beyond, noncancelable long-term operating lease obligations, including facilities vacated in connection with restructuring activities, and unconditional commitments to purchase manufacturing supplies and services are primarily as follows:

	Operating leases	Unconditional Purchase commitments
	(Thousands)	
2003	\$ 54,162	\$ 50,351
2004	48,580	49,960
2005	43,550	49,670
2006	38,265	2,726
2007	20,787	2,568
Beyond 2007	171,386	5,136
	\$ 376,730	\$ 160,411

The operating lease of the Company's corporate marketing, general and administrative facility in Sunnyvale expired in December 1998, at which time the Company arranged for the sale of the facility to a third party and leased it back under a new operating lease. The Company deferred the gain (\$37 million) on the sale and is amortizing it over a period of 20 years, the life of the lease. The lease expires in December 2018. At the beginning of the fourth lease year and every three years thereafter, the rent will be adjusted by 200 percent of the cumulative increase in the consumer price index over the prior three-year period up to a maximum of 6.9 percent. Certain other operating leases contain provisions for escalating lease payments subject to changes in the customer price index. Total future lease obligations as of December 29, 2002, were approximately \$377 million, of which \$137 million was recorded as a liability for certain facilities that were included in our 2002 Restructuring Plan. (See Note 14.)

In 2002, the Company also entered into long-term research and development agreements. As of December 29, 2002, the Company had recorded a liability and capitalized \$90 million in connection with the agreements. This amount is being amortized ratably over the estimated useful lives of the agreements through December 2007.

The Company entered into various guarantees as summarized by the following table:

	Maximum amounts guaranteed	Amounts of guarantee expiration per period					
		2003	2004	2005	2006	2007	2008 and beyond
		(Thousands)					
Dresden intercompany guarantee	\$ 294,000	\$ —	\$ —	\$ —	\$ 294,000	\$ —	\$ —
BAC payment guarantee	26,044	26,044	—	—	—	—	—
AMTC payment guarantee	33,336	—	—	—	—	33,336	—
AMTC rental guarantee	131,000	—	—	—	—	—	131,000
FASL guarantee (Note 13)	208,000	—	—	—	—	—	208,000
Fujitsu guarantee (Note 13)	125,000	125,000	—	—	—	—	—
Total guarantee	\$ 817,380	\$ 151,044	\$ —	\$ —	\$ 294,000	\$ 33,336	\$ 339,000

Dresden Loan Agreements and Dresden Guarantee

AMD Saxony (formerly known as AMD Saxony Manufacturing GmbH), an indirect wholly-owned German subsidiary of AMD, continues to facilitate Fab 30, which began production in the third quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony, and a consortium of banks are providing financing for the project.

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In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG, a German financial institution, in order to finance the project. The Dresden Loan Agreements were amended in February 1998, June 1999, February 2001, June 2002 and December 2002.

Because most of the amounts under the Dresden Loan Agreements were denominated in deutsche marks (converted to euros), the dollar amounts discussed below are subject to change based on applicable conversion rates. The Company used the exchange rate that was permanently fixed on January 1, 1999, of 1.95583 deutsche marks to one euro for the conversion of deutsche marks to euros, and then used the exchange rate of 0.96 euro to one U.S. dollar as of December 29, 2002, to translate the amounts denominated in deutsche marks into U.S. dollars.

The Dresden Loan Agreements, as amended, provide for the funding of the construction and facilitization of Fab 30. This funding consists of:

- equity contributions, subordinated and revolving loans and loan guarantees from, and full cost reimbursement through, AMD;
- loans from a consortium of banks; and
- grants, subsidies and loan guarantees from the Federal Republic of Germany and the State of Saxony.

The Dresden Loan Agreements require that the Company partially fund Fab 30 project costs in the form of subordinated and revolving loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, as of December 29, 2002, the Company had provided \$156 million of subordinated loans, \$315 million of revolving loans, and \$286 million of equity investments in AMD Saxony. These amounts have been eliminated in the Company's consolidated financial statements.

In addition to support from AMD, the consortium of banks referred to above made available up to \$799 million in loans to AMD Saxony to help fund Fab 30 project costs. The loans have been fully drawn and a portion has been repaid. AMD Saxony had \$587 million of such loans outstanding as of December 29, 2002, which are included in the Company's consolidated balance sheets. See Note 7 for the repayment schedule, which was revised as part of the December 2002 amendments to the Dresden Loan Agreements.

Finally, pursuant to a Subsidy Agreement, as amended in August 2002, (the Subsidy Agreement) the Federal Republic of Germany and the State of Saxony are supporting the Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- guarantees equal to the lesser of 65 percent of AMD Saxony bank debt or \$799 million;
- capital investment grants and allowances totaling \$433 million; and
- interest subsidies totaling \$160 million.

Of these amounts, AMD Saxony had received approximately \$284 million in capital investment grants and allowances and \$98 million in interest subsidies. In addition, AMD Saxony received advanced payments for interest subsidies amounting to \$49 million, of which approximately \$18 million is restricted from the Company's access for more than one year, and is therefore included in Other Assets. In addition to the above-mentioned subsidies, AMD Saxony had also received \$31 million in research and development subsidies through December 29, 2002. Amounts received under the Subsidy Agreement are recorded as a long-term liability on the Company's financial statements and are being amortized to operations ratably over the contractual life of the Subsidy Agreement as a reduction to operating expenses through December 2008. The historical rates were used to translate the amounts denominated in deutsche marks (converted to euros) into U.S. dollars.

The Subsidy Agreement, as amended, imposes conditions on AMD Saxony, including the requirement to attain certain employee headcount by December 2003 and to maintain such headcount until December 2008.

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Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received, as well as the repayment of all or a portion of amounts received to date. In December 2002, AMD Saxony reduced its anticipated December 2003 employment levels as a result of the 2002 Restructuring Plan. (See Note 14.) Consequently, the anticipated headcount is below the level required to be maintained by the Subsidy Agreement. Based on these revised headcount estimates, the maximum amount of capital grants and allowances available under the Subsidy Agreement would be reduced from \$433 million to \$379 million. The Company has adjusted the quarterly amortization of these amounts accordingly. There have been no conditions of noncompliance through December 29, 2002 that would result in forfeiture of any of the grants and allowances.

The Dresden Loan Agreements, as amended, also require that the Company:

- provide interim funding to AMD Saxony if either the remaining capital investment grants and allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the investment grants and allowances or subsidies from the State of Saxony;
- fund shortfalls in government subsidies resulting from any default under the Subsidy Agreement caused by AMD Saxony or its affiliates; and
- guarantee up to 50 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than \$116 million or more than \$313 million, until the bank loans are repaid in full. As of December 29, 2002, the amount outstanding under the guarantee was \$294 million.

As AMD Saxony's obligations under the Dresden Loan Agreements are included in the Company's consolidated financial statements, no incremental liability is recorded under the Dresden guarantee.

AMD Saxony would be in default under the Dresden Loan Agreements if the Company, AMD Saxony or AMD Saxony Holding GmbH (AMD Holding) fail to comply with certain obligations thereunder or upon the occurrence of certain events, including:

- material variances from the approved plan and specifications;
- the Company's failure to fund equity contributions or loans or otherwise comply with the Company's obligations relating to the Dresden Loan Agreements;
- the sale of shares in AMD Saxony or AMD Holding;
- the failure to pay material obligations;
- the occurrence of a material adverse change or filings or proceedings in bankruptcy or insolvency with respect to the Company, AMD Saxony or AMD Holding;
- the occurrence of a default under the July 1999 Loan Agreement or the September 2002 Loan Agreement; and
- noncompliance with specified financial covenants.

Generally, any default with respect to borrowings made or guaranteed by AMD that results in recourse to the Company of more than \$2.5 million, and that is not cured by the Company, would result in a cross-default under the Dresden Loan Agreements, the July 1999 Loan Agreement and the September 2002 Loan Agreement. As of December 29, 2002, the Company was in compliance with all conditions of the Dresden Loan Agreements.

In the event that the Company was unable to meet its obligations to AMD Saxony as required under the Dresden Loan Agreements, the Company will be in default under the Dresden Loan Agreements, the July 1999 Loan Agreement and the September 2002 Loan Agreement, which would permit acceleration of certain indebtedness. The occurrence of a default under these agreements would likely result in a cross-default under the Indentures governing the Company's 4.75% Debentures and 4.50% Notes.

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Advanced Mask Technology Center and Maskhouse Building Administration Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC), and Maskhouse Building Administration GmbH & Co., KG (BAC), are joint ventures formed by AMD, Infineon Technologies AG and Dupont Photomasks, Inc. for the purpose of constructing and operating a new advanced photomask facility in Dresden, Germany. In June 2002, BAC entered into a \$78 million bridge loan (Bridge Loan) with a consortium of banks led by Dresdner Bank for the purpose of constructing the facility. The Company guaranteed the payment obligations of BAC under the Bridge Loan, in an amount not to exceed \$26 million plus interest and expenses. In December 2002, BAC and AMTC executed a facility agreement, consisting of a \$125 million revolving credit facility (Revolving Loan) and a \$78 million term loan facility (Term Loan), with a consortium of banks led by Dresdner Bank. The Term Loan will supercede and replace the Bridge Loan. The Company guaranteed the payment obligations of AMTC, in an amount not to exceed \$33 million plus interest and expenses, under the Revolving Loan. In addition, the Company guaranteed the payment obligations of BAC, in an amount not to exceed \$26 million plus interest and expenses, under the Term Loan.

In December 2002, AMTC and BAC entered into a rental agreement with respect to the photomask facility. The rental agreement would become effective upon completion of construction of the photomask facility. The Company guaranteed approximately 23% of the payment obligations of AMTC under the rental agreement which the Company believes will be equal to approximately \$17 million initially, and will diminish over time through 2011 as the Term Loan is repaid. The Company's rental guarantee replaces its guarantee of the Term Loan. In addition, in the event the other tenant of the photomask facility defaults under its rental agreement, and the AMTC assumes the defaulting tenant's lease and related lease obligations, the Company would be required to guarantee 23% of these additional rental payment obligations. Further, in the event one of the three joint venture partners is unable to meet its guarantee obligations with respect to AMTC's additional rental payment obligations, the remaining joint venture partners agreed to assume, on a pro rata basis, the defaulting partner's guarantee obligations with respect to AMTC's additional rental payment only. Assuming the other tenant of the photomask facility defaults under the rental agreement and AMTC exercises its option to assume the defaulting tenant's obligations under its rental agreement, and assuming a default under the rental guarantee by both Infineon and Dupont, the maximum potential amount of the Company's guarantee obligations for these rental payments would be approximately \$131 million. As of December 29, 2002, no amounts were drawn under the Revolving Loan or the Term Loan and the Company had not recorded any liability in its consolidated financial statements associated with these guarantees.

Warranties

At the time revenue is recognized, the Company provides for estimated costs that may be incurred under product warranties, with the corresponding expense recognized in cost of sales. Estimates of warranty expense are based on historical experience. Remaining warranty accruals are evaluated periodically and are adjusted for changes in experience.

The Company generally offers to end users a three year limited warranty for certain of its boxed microprocessor products, and a one year limited warranty, to direct purchasers only, for all other products.

Changes in the Company's liability for product warranty during the period are as follows (in thousands):

Balance, beginning of the period	\$	16,730
New warranties issued during the period		34,574
Settlements during the period		(51,935)
Changes in liability for pre-existing warranties during the period, including expirations		20,000
<hr/>		
Balance, end of period	\$	19,369

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NOTE 13: Investment in Joint Venture

In 1993, the Company formed a joint venture (FASL) with Fujitsu Limited for the development and manufacture of non-volatile memory devices. FASL operates advanced IC manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices, which are sold to the Company and Fujitsu. The Company's share of FASL is 49.992 percent and the investment is being accounted for under the equity method. The Company's share of FASL net income during 2002 was \$6.2 million, net of income taxes of approximately \$4.1 million. As of December 29, 2002, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in an increase of approximately \$9.2 million to the investment in FASL. The following tables present the significant FASL related party transactions and balances:

	2002	2001	2000
	(Thousands)		
Royalty income	\$ 38,488	\$ 44,342	\$ 33,273
Purchases from FASL	443,209	509,642	381,657
Sales to FASL	25,780	—	—

	December 29, 2002	December 30, 2001
	(Thousands)	
Royalty receivable	\$ 11,551	\$ 6,962
Accounts receivable	96,814	—
Accounts payable	108,890	37,957

Pursuant to a cross-equity provision between the Company and Fujitsu, the Company has purchased 0.5 million shares of Fujitsu Limited common stock as of December 29, 2002. Under the same provision, Fujitsu Limited purchased nine million shares of the Company's common stock as of December 29, 2002.

FASL is continuing the facilitization of its second and third Flash memory device wafer fabrication facilities, FASL JV2 and FASL JV3, in Aizu-Wakamatsu, Japan. Capital expenditures for FASL JV2 and FASL JV3 construction and facilitization to date have been funded by cash generated primarily from FASL operations and borrowings by FASL. These costs are incurred in Japanese yen and are, therefore, subject to change due to foreign exchange rate fluctuations. On December 29, 2002, the exchange rate was 119.970 yen to one U.S. dollar. The Company used this rate to translate the amounts denominated in yen into U.S. dollars.

FASL capital expenditures in 2003 are expected to be funded by cash generated from FASL operations and local borrowings by FASL. However, to the extent that FASL is unable to secure the necessary funds for FASL JV2 or FASL JV3, the Company will be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percent interest in FASL, up to 25 billion yen (\$208 million). As of December 29, 2002, the Company had \$121 million in loan guarantees outstanding with respect to these third-party loans. As of December 29, 2002, the Company had not recorded any liability in our consolidated financial statements associated with these guarantees.

The following is condensed financial data of FASL:

	2002	2001	2000
	(Thousands)		
Net sales	\$ 854,199	\$ 978,059	\$ 733,574
Gross profit	66,798	165,115	53,174
Operating income	63,099	160,298	49,645
Net income	5,051	34,924	28,179

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	December 29, 2002	December 30, 2001
	(Thousands)	
Current assets	\$ 287,050	\$ 146,549
Non-current assets	1,056,107	1,056,061
Current liabilities	549,015	463,555
Non-current liabilities	—	1,058

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. The difference is due to adjustments resulting from the intercompany profit eliminations and differences in U.S. and Japanese tax treatment, which are reflected on the Company's consolidated statements of operations. The Company has never received cash dividends from its investment in FASL. As of December 29, 2002, FASL had \$143 million of retained earnings that has not been distributed to the Company.

In 2000, FASL further expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI), a wholly owned subsidiary of Fujitsu Limited. In connection with FMI equipping its wafer fabrication facility in Gresham, Oregon (the Gresham Facility) to produce flash memory devices for sale to FASL, the Company agreed to guarantee the repayment of up to \$125 million of Fujitsu's obligations as a co-signer with FMI under its global multicurrency revolving credit facility (the Credit Facility) with a third-party bank (the Fujitsu Guarantee). On November 30, 2001, Fujitsu announced that it was closing the Gresham Facility, due to the downturn of the flash memory market. To date, the Company has not received notice from Fujitsu that FMI has defaulted on any payments due under the Credit Facility. Fujitsu has requested that the Company pay the entire \$125 million under the Fujitsu Guarantee. The Company continues to disagree with Fujitsu as to the amount, if any, of its obligations under the Fujitsu Guarantee. The Company cannot predict the outcome of this matter. Accordingly, the Company has not recorded any liability in its consolidated financial statements associated with the Fujitsu Guarantee.

NOTE 14: Restructuring and Other Special Charges

2002 Restructuring Plan

In December 2002, the Company finalized a restructuring plan (the 2002 Plan) to align its cost structure to current industry conditions resulting from weak customer demand and industry wide excess inventory. The 2002 Plan will result in the reduction of approximately 2,000 positions or 15% of the Company's employees, affecting all levels of its workforce in almost every organization. As a result of the Company's agreement with IBM to develop future generations of the Company's logic process technology, the Company is ramping down its silicon processing associated with logic research and development in its Submicron Development Center in Sunnyvale, California (SDC) and will eliminate most of those related resources, including the sale or abandonment of certain equipment used in the Company's SDC.

The 2002 Plan will also result in the consolidation of facilities, primarily at the Company's Sunnyvale, California site and at sales offices worldwide. The Company is vacating, and attempting to sublease, certain facilities currently occupied under long-term operating leases. The Company has also terminated the implementation of certain partially completed enterprise resource planning (ERP) software and other information technology implementation activities, resulting in the abandonment of certain software, hardware and capitalized development costs.

Pursuant to the 2002 Plan, the Company recorded restructuring costs and other special charges of \$330.6 million, consisting primarily of \$68.8 million of anticipated severance and fringe benefit costs, an asset impairment charge of \$32.5 million relating to a license associated with discontinued logic process development activities that has no future use, asset impairment charges of \$30.6 million resulting from the abandonment of equipment previously used in logic process development and manufacturing activities, anticipated exit costs of

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\$138.9 million primarily to vacate and consolidate the Company's facilities and \$55.5 million resulting from the abandonment of partially completed ERP and other information technology implementation activities.

The Company began activities pursuant to the 2002 Plan during the fourth quarter of 2002, and expects to substantially complete the activities associated with the 2002 Plan by the end of June 2003. As of December 29, 2002, 929 employees were terminated pursuant to the 2002 Plan resulting in cash payments of \$14 million in severance and employee benefit costs.

The following table summarizes activities under the 2002 Plan through December 29, 2002:

	Severance and employee benefits	Asset impairment	Exit costs	Other restructuring charges	Total
			(Thousands)		
2002 provision	\$ 68,770	\$ 118,590	\$ 138,900	\$ 4,315	\$ 330,575
Q4 2002 non-cash charges	—	(118,590)	—	—	(118,590)
Q4 2002 cash charges	(14,350)	—	(795)	—	(15,145)
Accruals at December 29, 2002	\$ 54,420	\$ —	\$ 138,105	\$ 4,315	\$ 196,840

2001 Restructuring Plan

In 2001, the Company announced a restructuring plan (the 2001 Plan) due to the continued slowdown in the semiconductor industry, and a resulting decline in revenues. In connection with the plan, the Company closed Fabs 14 and 15 in Austin, Texas. These facilities supported certain of the Company's older products and its Foundry Service operations, which have been discontinued as part of the plan. The Company also reorganized related manufacturing facilities and reduced activities primarily in Penang, Malaysia along with associated administrative support.

Pursuant to the 2001 Plan, the Company recorded restructuring costs and other special charges of \$89.3 million, consisting of \$34.1 million of anticipated severance and fringe benefit costs, \$13.0 million and \$3.2 million of anticipated exit costs to close facilities in Austin and Asia, mostly in Penang, and \$28.7 million and \$10.3 million of non-cash asset impairment charges in Austin and Asia, primarily Penang. The asset impairment charges related primarily to buildings and production equipment and have been incurred as a result of the Company's decision to implement the plan. The Company substantially completed execution of its restructuring plan by the end of 2002. As of December 29, 2002, 2,209 employees had been terminated pursuant to the 2001 Plan resulting in cash payments of approximately \$35.8 million for severance and employee benefit costs, of which \$1.7 million was included in current year results of operations. 720 of these positions were associated with closing Fabs 14 and 15. The balance of the reductions resulted from reorganizing activities, primarily in Penang, Malaysia, along with associated administrative support. In addition, the planned facilities closures had been completed as of December 29, 2002 and related decommissioning costs will be incurred over the next six months.

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The following table summarizes activity under the 2001 Plan through December 29, 2002:

	Severance and employee benefits	Facility and equipment impairment	Facility and equipment decommission costs	Other facilities exit costs	Total
			(Thousands)		
2001 provision	\$ 34,105	\$ 39,000	\$ 15,500	\$ 700	\$ 89,305
Cash charges	(7,483)	—	—	(54)	(7,537)
Non-cash charges	—	(39,000)	—	—	(39,000)
Accrual at December 30, 2001	\$ 26,622	\$ —	\$ 15,500	\$ 646	\$ 42,768
Cash Charges	(26,622)	—	(445)	—	(27,067)
Accrual at December 29, 2002	\$ —	\$ —	\$ 15,055	\$ 646	\$ 15,701

NOTE 15: Business Acquisition

On February 19, 2002, the Company completed the acquisition of Alchemy Semiconductor, Inc. (Alchemy), a privately held company, for approximately \$30 million in cash consideration to Alchemy stockholders. Alchemy designed, developed and marketed low-power, high-performance microprocessors for personal connectivity devices such as personal digital assistants (PDAs), web tablets and portable and wired Internet access devices and gateways.

The Company accounted for the acquisition using the purchase method and the assets and operations acquired were combined with the Company's Core Products segment. Approximately \$2.9 million of the purchase price represented acquired in-process research and development that had not yet reached technological feasibility and had no alternative future use. The \$2.9 million was expensed upon the acquisition of Alchemy. In addition, the Company recorded \$18.7 million of goodwill, which is not being amortized, based on the residual difference between the amount paid and the fair values assigned to identified tangible and intangible assets using an independent valuation.

Alchemy's historical and 2002 results of operations before it was acquired by the Company were not significant.

Following the provisions of SFAS 142, "Goodwill and Intangible Assets," the Company performed an impairment analysis of goodwill recorded as a result of the Alchemy acquisition and determined that there was no impairment of goodwill as of December 29, 2002.

NOTE 16: Share Repurchase Program

On January 29, 2001, the Company announced that the Board of Directors had authorized a program to repurchase up to \$300 million worth of the Company's common stock over a period of time to be determined by management. Any such repurchases will be made, from time to time, in the open market or in privately negotiated transactions in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements and other factors. This program does not obligate the Company to acquire any particular amount of its common stock, and the program may be suspended at any time at the Company's discretion. The Company did not purchase any shares under this program during fiscal 2002. As of December 29, 2002, 6,310,580 shares had been repurchased at an aggregate price of approximately \$77 million under the program.

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NOTE 17: Contingencies

I. Environmental Matters

Superfund Clean-Up Orders. The Company is named as a responsible party on Superfund clean-up orders for three sites. Since 1981, the Company has discovered, investigated and conducted remediation of three sites where hazardous material releases from former underground tanks at facilities in Santa Clara County, California, adversely affected the groundwater. The chemicals released into the groundwater were commonly used in the semiconductor industry in the wafer fabrication process prior to 1979. At least one of the released chemicals (which the Company no longer uses) 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 relating to the three sites. One of the orders named AMD as well as TRW Microwave, Inc. and Philips Semiconductors Corporation. In January 1999, the Company entered into a settlement agreement with Philips whereby Philips assumed costs allocated to the Company under this order, although the Company is responsible for these costs in the event that Philips does not fulfill its obligations under the settlement agreement. Another of the orders named AMD as well as National Semiconductor Corporation. In December 2001, AMD entered into a settlement agreement with National pursuant to which National will take the lead for a period of time on certain ground water remediation required under that order. AMD remains a responsible party for all purposes under the order and retains specific responsibilities.

The three sites are on the National Priorities List (Superfund). If the Company fails to satisfy state or federal compliance requirements, or inadequately performs the compliance measures, the government can (1) bring an action to enforce compliance or (2) undertake the desired response actions itself and later bring an action to recover its costs and penalties, which may be up to three times the costs of clean-up activities, if appropriate.

To address anticipated future remediation costs under the orders, the Company has computed and accrued an estimated environmental liability of approximately \$3 million in accordance with applicable accounting rules and has not recorded any potential insurance recoveries in determining the estimated costs of the cleanup. Environmental charges to earnings have not been material in the past three years and the Company believes that the potential future liability, if any, in excess of amounts already accrued will not have a material adverse effect on the Company's financial condition or results of operations.

Potentially Responsible Party Designation. In 1998, the U.S. Environmental Protection Agency (EPA) identified the Company as one of hundreds of Superfund "potentially responsible parties" (PRPs) as a result of the disposal of waste at a regulated landfill in Santa Barbara County, California that was later abandoned by its owners and designated as a Superfund site by the EPA. The Company has reached a settlement agreement with the EPA, and the public notification, judicial review and issuance of a consent decree is pending. The Company believes that the settlement will not have a material adverse effect on the Company's financial condition or results of operations.

II. 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 Company's financial condition or results of operations.

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*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 29, 2002 and December 30, 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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 auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advanced Micro Devices, Inc. as of December 29, 2002 and December 30, 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 29, 2002, in conformity with accounting principles generally accepted in the United States. 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 10, 2003

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2002 and 2001 by Quarter
(Unaudited)
(Thousands except per share and market price amounts)

	2002				2001			
	Dec. 29	Sept. 29	June 30	Mar. 31	Dec. 30	Sept. 30	July 1	Apr. 1
Net Sales	\$ 686,430	\$ 508,227	\$ 600,299	\$ 902,073	\$ 951,873	\$ 765,870	\$ 985,264	\$ 1,188,747
Expenses:								
Cost of sales	506,613	453,884	558,290	586,874	644,662	594,056	636,199	714,830
Research and development	244,848	220,959	178,425	171,882	160,871	161,185	171,114	157,760
Marketing, general and administrative	194,389	158,568	160,248	156,860	163,683	150,918	156,291	149,138
Restructuring and other special charges	330,575	—	—	—	—	89,305	—	—
	1,276,425	833,411	896,963	915,616	969,216	995,464	963,604	1,021,728
Operating income (loss)	(589,995)	(325,184)	(296,664)	(13,543)	(17,343)	(229,594)	21,660	167,019
Interest and other income, net	992	12,941	8,661	9,538	5,784	(11,220)	12,308	18,823
Interest expense	(22,296)	(21,166)	(15,729)	(12,158)	(9,570)	(9,946)	(20,199)	(21,645)
Income (loss) before income taxes, equity in net income of joint venture	(611,299)	(333,409)	(303,732)	(16,163)	(21,129)	(250,760)	13,769	164,197
Provision (benefit) for income taxes	243,470	(73,350)	(121,493)	(4,041)	(5,705)	(65,018)	3,717	52,543
Income (loss) before equity in net income of joint venture	(854,769)	(260,059)	(182,239)	(12,122)	(15,424)	(185,742)	10,052	111,654
Equity in net income (loss) of joint venture	29	5,888	(2,699)	2,959	(417)	(1,187)	7,300	13,183
Net income (loss)	\$ (854,740)	\$ (254,171)	\$ (184,938)	\$ (9,163)	\$ (15,841)	\$ (186,929)	\$ 17,352	\$ 124,837
Net income (loss) per share:								
Basic	\$ (2.49)	\$ (0.74)	\$ (0.54)	\$ (0.03)	\$ (0.05)	\$ (0.54)	\$ 0.05	\$ 0.40
Diluted	\$ (2.49)	\$ (0.74)	\$ (0.54)	\$ (0.03)	\$ (0.05)	\$ (0.54)	\$ 0.05	\$ 0.37
Shares used in per share calculation:								
Basic	343,949	342,780	341,782	340,806	340,119	345,044	330,120	314,347
Diluted	343,949	342,780	341,782	340,806	340,119	345,044	340,533	351,785

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

The information under the captions, “Item 1—Election of Directors,” “Executive Officers of the Registrant” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2003 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions, “Directors’ Compensation and Benefits,” “Committees and Meetings of the Board of Directors,” “Executive Compensation,” “Employment Agreements” and “Change in Control Arrangements” in our 2003 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the captions, “Principal Stockholders,” “Security Ownership of Directors and Executive Officers” and “Equity Compensation Plan Information” in our 2003 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND RELATED STOCKHOLDER MATTERS

The information under the caption, “Certain Relationships and Related Transactions” in our 2003 Proxy Statement is incorporated herein by reference.

With the exception of the information specifically incorporated by reference in Part II and Part III of this Annual Report on Form 10-K from our 2003 Proxy Statement, our 2003 Proxy Statement shall not be deemed to be filed as part of this report. Without limiting the foregoing, the information under the captions, “Board Compensation Committee Report on Executive Compensation,” “Board Audit Committee Report” and “Performance Graph” in our 2003 Proxy Statement is not incorporated by reference in this Annual Report on Form 10-K.

ITEM 14. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed with the objective of providing reasonable assurance that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Since the date we completed our evaluation to the date of this report, there have been no significant changes in our internal controls or in other factors that could significantly affect the internal controls.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)

1. Financial Statements

The financial statements are set forth in Item 8 of this 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.

2. 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, between AMD and NexGen, Inc., filed as Exhibit 2 to AMD's Quarterly Report for the period ended October 1, 1995, and as amended as Exhibit 2.1 to AMD'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 AMD and NexGen, Inc., filed as Exhibit 2.2 to AMD's Current Report on Form 8-K dated January 17, 1996, is hereby incorporated by reference.
2.3	Stock Purchase Agreement dated as of April 21, 1999, by and between Lattice Semiconductor Corporation and AMD, filed as Exhibit 2.3 to AMD's Current Report on Form 8-K dated April 26, 1999, is hereby incorporated by reference.
2.3(a)	First Amendment to Stock Purchase Agreement, dated as of June 7, 1999, between AMD and Lattice Semiconductor Corporation, filed as Exhibit 2.3(a) to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
2.3(b)	Second Amendment to Stock Purchase Agreement, dated as of June 15, 1999, between AMD and Lattice Semiconductor Corporation, filed as Exhibit 2.3(b) to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
2.4	Reorganization Agreement, dated as of May 21, 2000, by and between AMD and BoldCo, Inc., filed as Exhibit 2.1 to AMD's Current Report on Form 8-K dated May 21, 2000, is hereby incorporated by reference.
2.5	Recapitalization Agreement, dated as of May 21, 2000, by and between BraveTwo Acquisition, L.L.C., AMD and BoldCo, Inc., filed as Exhibit 2.2 to AMD's Current Report on Form 8-K dated May 21, 2000, is hereby incorporated by reference.
3.1	Certificate of Incorporation, as amended, filed as Exhibit 3.1 to AMD's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.
3.2	By-Laws, as amended, filed as Exhibit 3.2 to AMD's Amendment No. 4 to Form S-3 Registration Statement (No. 333-84028), are hereby incorporated by reference.
3.3	Certificate of Amendment to Restated Certificate of Incorporation dated May 25, 2000, filed as Exhibit 3.3 to AMD's Quarterly Report on Form 10-Q for the period ended July 2, 2000, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
4.1	AMD hereby agrees to file on request of the Commission a copy of all instruments not otherwise filed with respect to AMD's long-term debt 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 AMD and its subsidiaries on a consolidated basis.
4.2	Indenture, dated as of January 29, 2002, between AMD and The Bank of New York, filed as Exhibit 4.14 to AMD's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
4.3	Form of AMD 4.75% Convertible Senior Debentures Due 2022, filed as Exhibit 4.15 to AMD's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
4.4	Registration Rights Agreement, dated as of January 29, 2002, by and among AMD, Credit Suisse First Boston Corporation and Salomon Smith Barney Inc., filed as Exhibit 4.16 to AMD's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
4.5	Form of AMD 4.50% Convertible Senior Notes Due 2007, filed as Exhibit 4.3 to AMD's Current Report on Form 8-K dated November 26, 2002, is hereby incorporated by reference.
*10.2	AMD 1986 Stock Option Plan, as amended, filed as Exhibit 10.2 to AMD'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 AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
*10.4	AMD 1980 Stock Appreciation Rights Plan, as amended, filed as Exhibit 10.4 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
*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 AMD'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 AMD'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 AMD'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 AMD'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 AMD's Annual Report on Form 10-K for the fiscal year ended March 31, 1985, is hereby incorporated by reference.
*10.11	Amended and Restated Employment Agreement, dated as of November 3, 2000, between AMD and W. J. Sanders III, filed as Exhibit 10.12 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
*10.12	AMD 2000 Stock Incentive Plan, filed as Exhibit 10.13 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
*10.13	AMD's U.S. Stock Option Program for options granted after April 25, 2000, filed as Exhibit 10.14 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
*10.14	Vice President Incentive Plan, filed as Exhibit 10.15 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
*10.15	AMD Executive Incentive Plan, filed as Exhibit 10.14(b) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 1996, is hereby incorporated by reference.
*10.16	Form of Bonus Deferral Agreement, filed as Exhibit 10.12 to AMD's Annual Report on Form 10-K for the fiscal year ended March 30, 1986, is hereby incorporated by reference.
*10.17	Form of Executive Deferral Agreement, filed as Exhibit 10.17 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, is hereby incorporated by reference.
*10.18	Director Deferral Agreement of R. Gene Brown, filed as Exhibit 10.18 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, is hereby incorporated by reference.
*10.20	Form of Indemnification Agreements with former officers of Monolithic Memories, Inc., filed as Exhibit 10.22 to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1987, is hereby incorporated by reference.
*10.21	Form of Management Continuity Agreement.
**10.22	Joint Venture Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(a) to AMD'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.
**10.22(a-1)	Technology Cross-License Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(b) to AMD'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.
**10.22(a-2)	Third Amendment to Technology Cross License Agreement, effective April 2, 2001, between AMD and Fujitsu Limited, filed as Exhibit 10.23(b-1) to AMD'S Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.
**10.22(b)	AMD Investment Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(c) to AMD'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.
**10.22(c)	Fujitsu Investment Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(d) to AMD'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.
**10.22(d)	First Amendment to Fujitsu Investment Agreement dated April 28, 1995, filed as Exhibit 10.23(e) to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.22(e)	Second Amendment to Fujitsu Investment Agreement, dated February 27, 1996, filed as Exhibit 10.23 (f) to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
**10.22(f-1)	Joint Venture License Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(e) to AMD'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.
**10.22(f-2)	Amendment to Joint Venture License Agreement, effective April 1, 1999, between AMD and Fujitsu Limited, filed as Exhibit 10.23(g-1) to AMD's Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
**10.22(g)	Joint Development Agreement between AMD and Fujitsu Limited, filed as Exhibit 10.27(f) to AMD'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.
**10.22(h)	Fujitsu Joint Development Agreement Amendment, filed as Exhibit 10.23(g) to AMD's Quarterly Report on Form 10-Q for the period ended March 31, 1996, is hereby incorporated by reference.
**10.22(i)	Guaranty, effective as of October 1, 2000, by AMD in favor of and for the benefit of Fujitsu Limited, filed as Exhibit 10.23(j) to AMD's Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.
*10.23	AMD's Stock Option Program for Employees Outside the U.S. for options granted after April 25, 2000, filed as Exhibit 10.24 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
*10.23(a)	AMD's U.S. Stock Option Program for options granted after April 24, 2001, filed as Exhibit 10.23(a) to AMD's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
**10.25	Patent License Agreement, dated as of December 3, 1998, between AMD and Motorola, Inc., filed as Exhibit 10.26 to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1998, is hereby incorporated by reference.
10.26	Lease Agreement, dated as of December 22, 1998, between AMD and Delaware Chip LLC, filed as Exhibit 10.27 to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1998 is hereby incorporated by reference.
*10.27	AMD Executive Savings Plan (Amendment and Restatement, effective as of August 1, 1993), filed as Exhibit 10.30 to AMD's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
*10.27(a)	First Amendment to the AMD Executive Savings Plan (as amended and restated, effective as of August 1, 1993), filed as Exhibit 10.28(b) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
*10.27(b)	Second Amendment to the AMD Executive Savings Plan (as amended and restated, effective as of August 1, 1993), filed as Exhibit 10.28(b) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
*10.28	Form of Split Dollar Agreement, as amended, filed as Exhibit 10.31 to AMD's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
*10.29	Form of Collateral Security Assignment Agreement, filed as Exhibit 10.32 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
*10.30	Forms of Stock Option Agreements to the 1992 Stock Incentive Plan, filed as Exhibit 4.3 to AMD's Registration Statement on Form S-8 (No. 33-46577), are hereby incorporated by reference.
*10.31	1992 United Kingdom Share Option Scheme, filed as Exhibit 4.2 to AMD's Registration Statement on Form S-8 (No. 33-46577), is hereby incorporated by reference.
**10.32	AMD 1998 Stock Incentive Plan, filed as Exhibit 10.33 to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1998, is hereby incorporated by reference.
*10.33	Form of indemnification agreements with officers and directors of AMD, filed as Exhibit 10.38 to AMD's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
*10.34	1995 Stock Plan of NexGen, Inc., as amended, filed as Exhibit 10.36 to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.36	Contract for Transfer of the Right to the Use of Land between AMD (Suzhou) Limited and China-Singapore Suzhou Industrial Park Development Co., Ltd., filed as Exhibit 10.39 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
*10.37	NexGen, Inc. 1987 Employee Stock Plan, filed as Exhibit 99.3 to Post-Effective Amendment No. 1 on Form S-8 to AMD's Registration Statement on Form S-4 (No. 33-64911), is hereby incorporated by reference.
*10.38	1995 Stock Plan of NexGen, Inc. (assumed by AMD), as amended, filed as Exhibit 10.37 to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 1996, is hereby incorporated by reference.
*10.39	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.
**10.41	C-4 Technology Transfer and Licensing Agreement dated June 11, 1996, between AMD and IBM Corporation, filed as Exhibit 10.48 to AMD'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.
**10.41(a)	Amendment No. 1 to the C-4 Technology Transfer and Licensing Agreement, dated as of February 23, 1997, between AMD and International Business Machine Corporation, filed as Exhibit 10.48(a) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.42	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 AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.42(a)	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 AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
**10.43	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 AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(a-1)	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., filed as Exhibit 10.50(a-2) to AMD's Annual Report on Form 10-K/A (No. 1) for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
10.43(a-2)	Supplemental Agreement No. 2 to the Syndicated Loan Agreement as of March 11, 1997, dated as of June 29, 1999, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., filed as Exhibit 10.50(a-3) to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
**10.43(a-3)	Amendment Agreement No. 3 to the Syndicated Loan Agreement, dated as of February 20, 2001, among AMD Saxony Manufacturing GmbH, AMD Saxony Holding GmbH, Dresdner Bank AG, Dresdner Bank Luxembourg S.A. and the banks party thereto, filed as Exhibit 10.50(a-4) to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
**10.43(a-4)	Amendment Agreement No. 4 to the Syndicated Loan Agreement, dated as of June 3, 2002, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG, Dresdner Bank Luxembourg S.A. and the banks party thereto, filed as Exhibit 10.43(a-4) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(a-5)	Amendment Agreement No. 5 to Syndicated Loan Agreement, dated as of December 20, 2002, among AMD Saxony Limited Liability Company and Co. KG, Dresdner Bank Luxembourg, S.A., Dresdner Bank AG, and the banks party thereto.
**10.43(b)	Determination Regarding the Request for a Guarantee by AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(b) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(c)	AMD Subsidy Agreement, between AMD Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(c) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(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 AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(e)	AMD, Inc. Guaranty, dated as of March 11, 1997, among AMD, AMD Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(e) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(f-1)	Sponsors' Support Agreement, dated as of March 11, 1997, among AMD, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(f) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(f-2)	First Amendment to Sponsors' Support Agreement, dated as of February 6, 1998, among AMD, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(f-2) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
10.43(f-3)	Second Amendment to Sponsors' Support Agreement, dated as of June 29, 1999, among AMD, AMD Saxony Holding GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., filed as Exhibit 10.50 (f-3) to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
**10.43(f-4)	Third Amendment to Sponsors' Support Agreement, dated as of February 20, 2001, among AMD, AMD Saxony Holding GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A, filed as Exhibit 10.50(f-4) to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
**10.43(f-5)	Accession Agreement and Fourth Amendment to Sponsor's Support Agreement, dated as of June 3, 2002, among AMD, AMD Saxony Holding GmbH, AMD Saxony LLC, AMD Saxony Admin GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., filed as Exhibit 10.43(f-5) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(f-6)	Fifth Amendment to Sponsors' Support Agreement, dated as of December 20, 2002, among AMD, AMD Saxony Holding GmbH, AMD Saxony LLC, AMD Saxony Admin GmbH and Dresdner Bank Luxembourg S.A.
10.43(g-1)	Sponsors' Loan Agreement, dated as of March 11, 1997, among AMD, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(g) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
10.43(g-2)	First Amendment to Sponsors' Loan Agreement, dated as of February 6, 1998, among AMD, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(g-2) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
10.43(g-3)	Second Amendment to Sponsors' Loan Agreement, dated as of June 25, 1999, among AMD and AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(g-3) to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
10.43(g-4)	Third Amendment to Sponsors' Loan Agreement, dated as of June 3, 2002, among AMD, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.43(g-4) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(h)	Sponsors' Subordination Agreement, dated as of March 11, 1997, among AMD, AMD Saxony Holding GmbH, AMD Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(h) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(h-1)	First Amendment to Sponsors' Subordination Agreement, dated as of February 20, 2001, among AMD, AMD Saxony Holding GmbH, AMD Saxony Manufacturing GmbH, and Dresdner Bank Luxembourg S.A. and Dresdner Bank A.G., filed as Exhibit 10.43(h-1) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(h-2)	Accession Agreement and Second Amendment to Sponsors' Subordination Agreement, dated as of June 3, 2002, among AMD, AMD Saxony Holding GmbH, AMD Saxony LLC, AMD Saxony Admin GmbH, AMD Saxony Manufacturing GmbH, and Dresdner Bank Luxembourg S.A. and Dresdner Bank AG., filed as Exhibit 10.43(h-2) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(i)	Sponsors' Guaranty, dated as of March 11, 1997, among AMD, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(i) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(i-1)	Second Amendment to Sponsors' Guaranty, dated as of December 20, 2002, among AMD, AMD Saxony Holding GmbH, Dresdner Bank Luxembourg S.A., and Dresdner Bank AG.
**10.43(j-1)	AMD Holding Wafer Purchase Agreement, dated as of March 11, 1997, among AMD and AMD Saxony Holding GmbH, filed as Exhibit 10.50(j) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(j-2)	First Amendment to AMD Holding Wafer Purchase Agreement, dated as of February 20, 2001, between AMD and AMD Saxony Holding GmbH, filed as Exhibit 10.50(j-1) to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
**10.43(k)	AMD Holding Research, Design and Development Agreement, dated as of March 11, 1997, between AMD Saxony Holding GmbH and AMD, filed as Exhibit 10.50(k) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(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 AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
10.43(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, filed as Exhibit 10.50 (l-2) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
**10.43(l-3)	Second Amendment to AMD Saxonia Wafer Purchase Agreement, dated as of February 20, 2001, between AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(l-3) to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
10.43(l-4)	Third Amendment to AMD Saxonia Wafer Purchase Agreement, dated as of June 3, 2002, between AMD Saxony Holdings GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.43(l-4) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
**10.43(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 AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(n)	License Agreement, dated March 11, 1997, among AMD, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(n) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(o)	AMD, Inc. Subordination Agreement, dated March 11, 1997, among AMD, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(o) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.43(o-1)	First Amendment to AMD Inc. Subordination Agreement, dated as of February 20, 2001, among AMD, AMD Saxony Holding GmbH, Dresdner Bank Luxembourg S.A. and Dresdner Bank A.G., filed as Exhibit 10.43(o-1) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
10.43(o-2)	Accession Agreement and Second Amendment to AMD, Inc. Subordination Agreement, dated as of June 3, 2002, among AMD, AMD Saxony Holding GmbH, AMD Saxony LLC, AMD Saxony Admin GmbH, Dresdner Bank Luxembourg S.A. and Dresdner Bank A.G., filed as Exhibit 10.43(o-2) to AMD's Quarterly Report on Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.
**10.43(p-1)	ISDA Agreement, dated March 11, 1997, between AMD and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(p) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.43(p-2)	Confirmation to ISDA Agreement, dated February 6, 1998, between AMD and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(p-2) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
10.44	Loan and Security Agreement, dated as of July 13, 1999, among AMD, AMD International Sales and Service, Ltd. and Bank of America NT&SA as agent, filed as Exhibit 10.51 to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
10.44(a-1)	First Amendment to Loan and Security Agreement, dated as of July 30, 1999, among AMD, AMD International Sales and Service, Ltd. and Bank of America NT&SA, as agent, filed as Exhibit 10.51(a) to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.

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Exhibit Number	Description of Exhibits
10.44(a-2)	Second Amendment to Loan and Security Agreement, dated as of February 12, 2001, among AMD, AMD International Sales and Service, Ltd. and Bank of America N.A. (formerly Bank of America NT&SA), as agent, filed as Exhibit 10.51(a-1) to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, is hereby incorporated by reference.
10.44(a-3)	Third Amendment to Loan and Security Agreement, dated as of May 20, 2002, among AMD, AMD International Sales and Service, Ltd. and Bank of America N.A. (formerly Bank of America NT&SA), as agent, filed as Exhibit 10.44(a-3) to AMD's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
10.44(a-4)	Fourth Amendment to Loan and Security Agreement, dated as of September 3, 2002, among AMD, AMD International Sales and Service, Ltd. and Bank of America N.A. (formerly Bank of America NT&SA), as agent, filed as Exhibit 10.44(a-4) to AMD's Quarterly Report on Form 10-Q for the period ended September 29, 2002, is hereby incorporated by reference.
10.44(a-5)	Fifth Amendment to Loan and Security Agreement, dated as of September 27, 2002, among AMD, AMD International Sales and Service, Ltd. and Bank of America N.A. (formerly Bank of America NT&SA), as agent, filed as Exhibit 10.44(a-5) to AMD's Quarterly Report on Form 10-Q for the period ended September 29, 2002, is hereby incorporated by reference.
*10.46	Management Continuity Agreement, between AMD and Robert R. Herb, filed as Exhibit 10.54 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.
*10.47	Employment Agreement, dated as of January 31, 2002, between AMD and Hector de J. Ruiz, filed as Exhibit 10.47 to AMD's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, is hereby incorporated by reference.
*10.48	Form of indemnification agreements with officers and directors of AMD, filed as Exhibit 10.56 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.
*10.49	Employment Agreement, dated as of September 27, 2000, between AMD and Robert J. Rivet, filed as Exhibit 10.57 to AMD's Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.
**10.50	Patent Cross-License Agreement, dated as of May 4, 2001, between AMD and Intel Corporation, filed as Exhibit 10.58 to AMD's Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.
*10.51	Loan Agreement, dated as of June 19, 2001, between AMD and Hector and Judy Ruiz, filed as Exhibit 10.59 to AMD's Quarterly Report on Form 10-Q for the period ended July 1, 2001, is hereby incorporated by reference.
**10.52	Joint Development Agreement, dated as of January 31, 2002, between AMD and United Microelectronics Corporation, filed as Exhibit 10.52 to AMD's Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the period ended March 31, 2002.
**10.53	Term Loan and Security Agreement, dated as of September 27, 2002, among AMD, AMD International Sales and Service, Ltd., and General Electric Capital Corporation, as agent, filed as Exhibit 10.53 to AMD's Quarter report on Form 10-Q for the period ended September 29, 2002, is hereby incorporated by reference.
***10.54	"S" Process Development Agreement, dated as of December 28, 2002, between AMD and IBM.
21	List of AMD subsidiaries.
23	Consent of Independent Auditors, refer to page F-6 and F-7 herein.
24	Power of Attorney.

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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) of Form 10-K.
- ** Confidential treatment has been granted as to certain portions of these Exhibits.
- *** Confidential treatment has been requested as to certain portions of these Exhibits.

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

(b) *Reports on Form 8-K*

1. A Current Report on Form 8-K dated October 16, 2002 reporting under Item 5—Other Events was filed announcing our third quarter financial results.
2. A Current Report on Form 8-K dated November 18, 2002 reporting under Item 5—Other Events was filed announcing our intention to record restructuring and other special charges in the fourth quarter.
3. A Current Report on Form 8-K dated November 25, 2002 reporting under Item 5—Other Events was filed announcing the completion of the underwritten offering of our 4.50% Convertible Senior Notes due 2007.

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Hector de J. Ruiz, certify that:

1. I have reviewed this annual report on Form 10-K of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ HECTOR DE J. RUIZ

Hector de J. Ruiz
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 14, 2003

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Rivet, certify that:

1. I have reviewed this annual report on Form 10-K of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ROBERT J. RIVET

Robert J. Rivet
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 14, 2003

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

- (i) the Annual Report on Form 10-K of the Company for the annual period ended December 29, 2002 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HECTOR DE J. RUIZ

Hector de J. Ruiz
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 14, 2003

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Annual Report on Form 10-K of the Company for the annual period ended December 29, 2002 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT J. RIVET

Robert J. Rivet
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: March 14, 2003

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of Advanced Micro Devices, Inc. of our report dated January 10, 2003 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 29, 2002:

- Registration Statements on Forms S-8 (Nos. 33-10319, 33-26266, 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;
- Registration Statements on Forms S-8 (Nos. 33-46577 and 33-55107) pertaining to the Advanced Micro Devices, Inc. 1992 Stock Incentive Plan;
- 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.;
- Registration Statements on Forms S-8 (Nos. 333-04797 and 333-57525) pertaining to the Advanced Micro Devices, Inc. 1996 Stock Incentive Plan;
- Registration Statement on Form S-8 (No. 333-60550) pertaining to the Advanced Micro Devices, Inc. 1996 Stock Incentive Plan and the Advanced Micro Devices, Inc. 2000 Employee Stock Purchase Plan;
- Registration Statement on Form S-8 (No. 333-68005) pertaining to the Advanced Micro Devices, Inc. 1998 Stock Incentive Plan;
- Registration Statement on Form S-8 (No. 333-40030) pertaining to the Advanced Micro Devices, Inc. 1996 Stock Incentive Plan and the Advanced Micro Devices, Inc. 2000 Employee Stock Purchase Plan;
- Registration Statements on Form S-8 (No. 333-55052 and 333-74896) pertaining to the Advanced Micro Devices, Inc. 2000 Stock Incentive Plan;
- Registration Statement on Form S-3 (No. 333-47243), as amended, pertaining to debt securities, preferred stock, common stock, equity warrants and debt warrants issued or issuable by Advanced Micro Devices, Inc.;
- Registration Statement on Form S-3 (No. 333-45346) pertaining to debt securities, preferred stock, common stock, equity warrants and debt warrants issued or issuable by Advanced Micro Devices, Inc.;
- Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (No. 33-95888-99) pertaining to the 1995 Stock Plan of NexGen, Inc. and the NexGen, Inc. 1987 Employee Stock Plan;
- Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement on Form 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;
- Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Amendment No. 2 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Amendment No. 3 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Amendment No. 4 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;

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- Post-Effective Amendment No. 2 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Post-Effective Amendment No. 3 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Post-Effective Amendment No. 4 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Post-Effective Amendment No. 5 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures;
- Post-Effective Amendment No. 6 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures; and
- Post-Effective Amendment No. 7 to the Registration Statement on Form S-3 (No. 333-84028) pertaining to the 4.75% convertible debentures.

/s/ ERNST & YOUNG LLP

San Jose, California
March 12, 2003

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ADVANCED MICRO DEVICES, INC.
VALUATION AND QUALIFYING ACCOUNTS
Years Ended
December 31, 2000, December 30, 2001 and December 29, 2002
(in thousands)

	Balance Beginning of Period	Additions Charged (Reductions Credited) To Operations	Deductions ⁽¹⁾	Balance End of Period
Allowance for doubtful accounts:				
Years ended:				
December 31, 2000	\$ 15,378	\$ 8,154	\$ (820)	\$ 22,712
December 30, 2001	22,712	9,791	(13,233)	19,270
December 29, 2002	19,270	1,456	(1,820)	18,906

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

ADVANCED MICRO DEVICES, INC.

Management Agreement

Dear _____ :

Advanced Micro Devices, Inc. (the "Company") considers the establishment and maintenance of a sound and vital management to be essential to protecting and enhancing the best interests of the Company and its stockholders. The Company recognizes that, as is the case with many publicly held corporations, the possibility of a change of control may exist and that the uncertainty and questions, which such possibility may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders. Accordingly, it is imperative to be able to rely upon management's continuance and that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including you, to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change of control of the Company.

In order to induce you to remain in the employ of the Company under such circumstances, this letter agreement sets forth the benefits which the Company agrees will be provided to you in the event there is a "Change of Control" of the Company under the circumstances described below. ("Change of Control" is defined in Section 1.) In addition, the Company is also willing to agree to provide you the benefits described herein in consideration of your agreement to the arbitration provisions set forth in Section 13 hereof.

1. **Change of Control.** For purposes of this Agreement, a "Change of Control" shall mean a change of control 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, as amended ("Exchange Act") or in response to any other form or report to the Securities and Exchange Commission or any stock exchange on which the Company's shares are listed which requires the reporting of a change of control. In addition, a Change of Control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 20% of the combined voting power of the Company's then outstanding securities; or (ii) in any two year period, individuals who were members of the Board of Directors (the "Board") at the beginning of such period plus each new director whose election or nomination for election was approved by at least two-thirds of the directors in office immediately prior to such election or nomination, cease for any reason to constitute at least a majority of the Board, or (iii) a majority of the members of the Board in office prior to the happening of any event and who are still in office after such event, determines in its sole discretion within one year after such event, that as a result of such event there has been a Change of Control.

Notwithstanding the foregoing definition, "Change of Control" for purposes of this Agreement, shall exclude the acquisition of securities representing more than 20% of the combined voting power of the Company by the Company, any of its wholly owned subsidiaries, or any trustee or other fiduciary holding securities of the Company under an employee benefit plan now or hereafter established by the Company. As used herein, the term "beneficial owner" shall have the same meaning as under Section 13(d) of the Exchange Act, and related case law.

2. **Term.** This Agreement shall become effective immediately on the delivery of fully executed copies to both parties, and shall continue until canceled pursuant to the notice of either party. Either party hereto may provide written notice to the other of cancellation of this Agreement, to take effect on the date specified in such notice, but in no event shall such cancellation take effect less than two years from the date on which notice is given. Such notice shall be furnished in accordance with Section 10 of this Agreement.

3. **Tax Indemnity.**

(a) If all or any portion of the amounts payable to you on your behalf under this Agreement or otherwise are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or similar state tax and/or assessment), the Company shall pay to you an amount necessary to place you in the same after-tax position as you would have been in had no such excise tax been imposed. The amount payable pursuant to the preceding sentence shall be increased to the extent necessary to pay income and excise taxes due on such amount. The determination of the amount of any such tax indemnity shall initially be made by the independent accounting firm employed by the Company immediately prior to the Change of Control.

(b) If at a later date it is determined (pursuant to final regulations or published rulings of the IRS, final judgment of a court of competent jurisdiction or otherwise) that the amount of excise taxes payable by you is greater than the amount initially so determined, then the Company (or its successor) shall pay you an amount equal to the sum of (1) such additional excise taxes (2) any interest, fines and penalties resulting from such underpayment, plus (3) and amount necessary to reimburse you for any income, excise or other taxes payable by you with respect to the amounts specified in (1) and (2) above, and the reimbursement provided by this clause (3). If at a later date it is determined (pursuant to final regulations or published rulings of the IRS, final judgment of a court of competent jurisdiction or otherwise) that the amount of excise taxes payable by you is lesser than the amount initially so determined, then you shall pay to the Company (or its successor) an amount equal to such overpayment to the extent such is refunded to you.

(c) By signing this agreement, you and the Company both agree to cooperate with the person(s) calculating the amount of the tax indemnity, and will provide copies of whatever tax returns and other documents may be necessary to perform the calculation.

4. **Termination of Employment Following Change of Control.** If any of the events described in Section 1 hereof constituting a Change of Control shall have occurred, you shall be

entitled to the benefits provided in Section 5 hereof upon the actual termination by the Company or “Constructive Termination” of your employment within two years after such Change of Control, unless such termination is by the Company for Cause.

- (a) Constructive Termination. For purposes of this Agreement, “Constructive Termination” shall mean a resignation by you due to any diminution or adverse change in the circumstances of your employment as determined in good faith by you, including, without limitation, your reporting relationships, job description, duties, responsibilities, compensation, perquisites, office or location of employment.
- (b) Cause. For the purposes of this Agreement, the Company shall have a “Cause” to terminate your employment if you are determined by a court of law or pursuant to arbitration under Section 14 to have committed a willful act of embezzlement, fraud or dishonesty which resulted in material loss, material damage or material injury to the Company. In such an event, you shall have no rights under this Agreement.
- (c) Notice of Termination. Any termination of your employment by the Company or by you for any reason whatsoever during the term of this Agreement shall be communicated by written notice of termination to the other party hereto (“Notice of Termination”).
- (d) Date of Termination. “Date of Termination” shall mean a date which is within two years after a Change of Control and is either (1) the date specified in the Notice of Termination, if your employment is terminated by you during the term hereof; or (2) the date on which a Notice of Termination is given, if your employment is terminated for any other reason.

5. Benefits Upon Termination Following a Change Of Control.

- (a) Amount of Benefits. The Company shall provide to you as soon as practicable, but not more than ten business days following the Date of Termination subsequent to a Change of Control of the Company, each of the following benefits:
 - (1) Severance Benefit. The Company shall pay you a lump sum severance benefit, which shall equal the sum of (A) one year of Base Compensation, plus (B) the average of the two highest annual bonuses paid to you during the last five full calendar years immediately prior to the Change of Control. For purposes of this Section 5(a)(1), “Base Compensation” means your rate of annual salary, as in effect for the twelve-month period ending on the date six months prior to the Change of Control or on the Date of Termination, whichever is higher. Base Compensation does not include elements such as bonuses, reimbursement of interest paid on guaranteed loans, auto allowances, nor any income from equity based compensation, such as may result from the exercise of stock options or stock appreciation rights, or the receipt of restricted stock awards or the lapse of restrictions on such awards. If you were employed by the Company and/or any of its subsidiaries for less than one full calendar year immediately preceding the Change of

Control, your "highest annual bonus" will be determined by annualizing the bonus earned during your period of employment.

(2) *Equity Compensation.* All unvested stock options, stock appreciation rights and restricted stock awards held by you at the time of your Date of Termination shall be deemed fully vested and exercisable as such Date of Termination, provided, that if any such option, right or award would, as a result of such early exercisability no longer qualify for exemption under Section 16 of the Exchange Act, then such option, right or award shall be fully vested but shall not become exercisable until the earliest date on which it could become exercisable and also qualify for exemption from Section 16 of the Exchange Act. All vested options held by you, including those deemed fully vested as of the Date of Termination shall become automatically exercisable for a period of one (1) year from the Date of Termination; provided, however, in no event shall any option remain exercisable beyond the maximum period allowed therefor in the stock option plan under which it was granted. This agreement shall serve as an amendment to all of your outstanding stock options, restricted stock awards and stock appreciation rights as of the Date of Termination.

(3) *Accrued Bonus.* The Company shall pay you an amount equal to the pro rata amount of the annual bonus accrued under the Company's Executive Bonus Plan for the portion of the year to the Date of Termination.

(4) *Company Car.* The Company shall allow you the continued use of the Company automobile, on the same terms, which existed prior to the Change of Control, for twelve (12) months following the Date of Termination.

(5) *Financial and Tax Planning.* The Company shall provide you with continued personal financial planning and tax planning services up to \$3,000 for twelve (12) months following the Date of Termination.

(6) *Other Benefits.* The Company shall provide for a period of twelve (12) months following the Date of Termination, health and welfare benefits at least comparable to those benefits in effect on your Date of Termination, including but not limited to medical, dental, disability, dependent care, and life insurance coverage. At the Company's election, health benefits may be provided by reimbursing you for the cost of converting a group policy to individual coverage, or for the cost of extended COBRA coverage. The Company shall also pay you an amount calculated to pay any income taxes due as a result of the payment by the Company on your behalf for such health benefits. Such tax payment shall be calculated to place you in the same after-tax position as if no such income had been imposed.

(b) *Other Benefits Payable.* The benefits described in subsection (a) above shall be payable in addition to, and not in lieu of, all other accrued or vested or earned but deferred compensation, rights, options or other benefits which may be owed to you following termination of your employment, irrespective of whether your termination was preceded by a Change of

Control, including but not limited to accrued vacation or sick pay, amounts or benefits payable under any employment agreement or any bonus or other compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan, health plan, disability plan or similar plan.

6. **Payment Obligations Absolute.** The Company's obligation to pay the benefits described herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any of its subsidiaries may have against you or anyone else. In the event of any dispute concerning your right to payment, the Company shall nevertheless continue to pay to you your Base Compensation (as such term is defined in Section 5) until the dispute is resolved. Any such amounts paid following your termination of employment shall be credited against the amounts otherwise due to you under this Agreement or, in the event the Company prevails, shall be repaid to the Company.

7. **Legal Fees.** The Company shall also pay forthwith upon written demand from you all legal fees and expenses reasonably incurred by you in seeking to obtain or enforce any right or benefit provided by this Agreement. In the event you do not prevail in any ensuing arbitration or litigation, the Company shall absorb its own costs, expenses, and attorneys' fees, and you shall reimburse the Company for one-half of your costs, expenses, and attorneys' fees.

8. **Mitigation.** You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced or offset in any way whatsoever by any amount received by you for any reason whatsoever from another employer or otherwise after the Date of Termination.

9. **Successors; Binding Agreement.**

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled hereunder if the Company had terminated your employment without Cause after a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinabove defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall terminate upon your death except that if you should die while you are entitled to receive any amounts under this Agreement but which are unpaid at your date

of death, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

10. **Notice.** For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by the United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the Chairman of the Board of Directors of the Company with a copy to the Secretary of the Company, or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. **Amendments.** No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and the Company's Chief Executive Officer. No waiver by either party hereto at any time or any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. **Validity.** The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. **Arbitration.**

(a) Arbitration shall be the exclusive and final forum for settling any disagreement, dispute, controversy or claim arising out of or in any way related to (i) this Agreement or the subject matter thereof or the interpretation hereof or any arrangements relating hereto or contemplated herein or the breach, termination or invalidity hereof; or (ii) the provision of or failure to provide any other benefits upon a Change of Control pursuant to any other employment agreement, bonus or compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan or similar plan or agreement with the Company and/or any of its subsidiaries as Change of Control may be defined in such other agreement or plan, which benefits constitute "parachute payments" within the meaning of Section 280G of the Code. If this Section 14 conflicts with any provision in any such compensation or bonus plan, stock option plan, or any other similar plan or agreement, this provision requiring arbitration shall control.

(b) The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA").

(c) The arbitral tribunal shall consist of one arbitrator. Except as otherwise provided in Section 8, the Company shall pay all the fees, if any, and expenses of such arbitration.

(d) The arbitration shall be conducted in San Jose or in any other city in the United States of America as the parties to the dispute may designate by mutual written consent.

(e) Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to review of such award by any court or tribunal. The parties hereto agree that the arbitral award may be enforced against the parties to the arbitration proceeding or their assets wherever the award may be entered in any court having jurisdiction thereof.

(f) The parties stipulate that discovery may be had in any such arbitration proceeding as provided in Section 1283.05 of the California Code of Civil Procedure, as may be amended or revised from time to time.

14. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

15. **Withholding of Taxes.** The Company may withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as shall be required pursuant to any law or government regulation or ruling.

16. **Nonassignability.** This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9 above. Without limiting the foregoing, your right to receive payments hereunder, shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by will or by the laws of descent and distribution and in the event of any attempted assignment or transfer contrary to this Section the Company shall have no liability to pay any amounts so attempted to be assigned or transferred.

17. **No Right to Employment.** Nothing in this Agreement shall confer on you any right to continue in the employ of the Company, or shall interfere with or restrict in any way the rights of the Company, which are hereby expressly reserved, to discharge you at any time for any reason whatsoever, with or without cause.

18. **Miscellaneous.** No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement. This Agreement shall not affect your rights under any pension, welfare or fringe benefit arrangements of the Company under which you are entitled to receive any benefits. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise

payable, or in any way diminish your existing rights, or rights which would accrue solely as a result of the passage of time, under any employment agreement or other contract, plan or agreement with the Company.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ADVANCED MICRO DEVICES, INC.

By:

Hector de J. Ruiz

Agreed to this _____ day
of _____ 20__

(Signature)

Amendment Agreement No. 5

dated 20 December 2002

between

AMD SAXONY LIMITED LIABILITY COMPANY & CO. KG

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 (as amended from time to time)

AND OTHER OPERATIVE DOCUMENTS

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**AMENDMENT AGREEMENT TO THE SYNDICATED LOAN AGREEMENT
DATED 11 MARCH 1997 (AS AMENDED FROM TIME TO TIME)**

between

1. AMD SAXONY LIMITED LIABILITY COMPANY & CO. KG, Dresden, (formerly AMD Saxony Manufacturing GmbH) registered in the Commercial Register of the local court of Dresden under HRA 4896,
– hereinafter referred to as “AMD Saxonia” –

 2. DRESDNER BANK AG,
– hereinafter referred to as the “Security Agent” –

 3. the other Banks and Financial Institutions named on the signature pages of this Agreement,
– the parties referred to under 2. and 3. above are
hereinafter referred to individually as a “Bank” or, together, as “Banks” –
- and
4. DRESDNER BANK LUXEMBOURG S.A.,
– hereinafter referred to as
the “Agent” or the “Paying Agent” –

PREAMBLE

1. AMD Saxonia, Dresdner Bank AG (in its capacity as Security Agent), the Banks and Dresdner Bank Luxembourg S.A. (in its capacity as Agent and Paying Agent) are party to the Loan Agreement (as defined below) relating to Facilities of, in aggregate, DM 1,500,000,000 made available for the purposes of funding Project Costs, as therein defined.

2. The parties to this Agreement have agreed to make amendments to the Syndicated Loan Agreement of 11.03.1997, as amended on 06.02.1998, 29.06.1999,

20.02.2001 and 03.06.2002 (hereinafter the “Loan Agreement”) and the Operative Documents referred to in this Agreement.

§ 1
Definitions

- 1.1. Unless the context requires otherwise, terms and expressions defined in the Loan Agreement shall have the same meaning when used in this Agreement. In addition, the following terms and expressions shall have the following meanings:

“Agreement”: this Agreement.

“Amendment Agreements”: the Agreements referred to in §§ 3.1.1, 3.1.2 and 3.1.3.

- 1.2. Unless the context requires otherwise, a reference to an Operative Document includes any change, amendment or replacement thereof permitted pursuant to the terms of the Loan Agreement and the relevant Operative Document.

§ 2
Amendment to the Loan Agreement

- 2.1 Subject to the satisfaction of the condition precedent referred to in § 3, the Loan Agreement shall be amended as follows:

2.1.1 In § 1.1, a new definition shall be inserted after the definition of *AMD Saxony LLC* as follows:

“**ATPC Center**”: The advanced technology production center constructed or to be constructed by AMD Saxonia with approx. 2,100 square meters of clean room for the manufacture of high-performance micro-processors.

2.1.2 In § 1.1, sub-clause (vi) of the definition of Guaranty Decision shall be deleted in its entirety and replaced by a new sub-clause (vi) as follows:

“(vi) the letters from C&L Deutsche Revision AG to Dresdner Kleinwort Wasserstein/Dresdner Bank AG dated 22 May 2002, 19 November 2002, 4 December 2002 and 5 December 2002.”

2.1.3 In § 1.1, the language in the definition of 65/35 Guaranty “(but subject to a set-off of 65 % of payments made (if any) under the Sponsors’ Guaranty, in the form of Schedule 32, as amended, to this Agreement, against the Guarantors’ obligations under the aforesaid shortfall guarantees)” shall be deleted and replaced by the following language:

“(subject to a reduction of:

- (i) 65 % of payments made under the Sponsors’ Guaranty, in the form of Schedule 32, as amended, to this Agreement; and
- (ii) 80 % of any proceeds of realisation received by the Security Agent and/or the Banks from the ATPC Security Assets as defined under the AMD Saxonia Security Assignment of Fixed/Moveable Assets, in the form of Schedule 45 to this Agreement, as amended,

against the Guarantors’ obligations under the aforesaid shortfall guarantees)”

2.1.4 § 7.2 shall be deleted in its entirety and replaced by a new § 7.2:

“7.2 The Facilities shall be amortised in semi-annual repayment instalments in accordance with the following amortisation schedule on the last Banking Day of the relevant month:

<u>Last Banking Day in</u>	<u>Repayment Amount (Euro)</u>	<u>Repayment Amount (DM)</u>
June 2001	49,850,958.42	97.500.000
December 2001	49,850,958.42	97.500.000
June 2002	103,536,605.34	202.500.000
December 2002	14,699,299.02	28,749,330

June 2003	15,000,000	29,337,450
December 2003	15,000,000	29,337,450
June 2004	15,000,000	29,337,450
December 2004	60,000,000	117,349,800
June 2005	210,000,000	410,724,300
December 2005	234,000,000	457,664,220

Each scheduled repayment of the Facilities shall be made, together with all interest accrued at the date for repayment and with all other amounts due under this Agreement at such date”.

2.1.5 § 8.1.1 shall be deleted in its entirety and replaced by a new § 8.1.1 as follows:

“8.1.1 A joint and several guaranty by the Sponsors in an amount of up to whichever is the greater of (i) 50 % (fifty per cent) of all amounts outstanding under this Agreement and (ii) Euro 111, 205, 984, in each case, plus interest thereon, costs and expenses but subject to a maximum amount of Euro 300,000,000, as set out in the Sponsors’ Guaranty in the form of Schedule 32, as amended.”

2.1.6 § 17.17 shall be deleted in its entirety and replaced by a new § 17.17 as follows:

“17.17 AMD Saxonia undertakes to keep and maintain its fixed and current assets exclusively within the area of the Plant, the Design Center and the ATPC Center shown in Schedules 44 and 45, as amended. The Banks, the Agent and the Security Agent acknowledge that AMD Saxonia may transfer such fixed and current assets between the Plant, the Design Center and the ATPC Center in the ordinary course of its business (i.e. for operative reasons).”

2.1.7 § 19.2 shall be deleted in its entirety and replaced by a new § 19.2 as follows:

“19.2 Amounts standing to the credit of the Project Accounts may be used only in the ordinary course of business of AMD Saxonia (including for purposes of financing Capital Expenditures), for the settlement of financing costs and for the repayment of the Facilities, the payment of interest and the repayment of principal under the Revolving Loan Facility Agreement (to the extent permitted under the Sponsors’ Subordination Agreement set out in Schedule 30, as amended). Notwithstanding the above, AMD Saxonia undertakes not at any time to transfer or dispose of or to withdraw amounts standing to the credit of the Project Accounts which would result in a breach of the Minimum Liquidity Covenant, and the Security Agent is hereby irrevocably instructed—following the occurrence of any of the events referred to in § 21 which would, including such events which, with the giving of any notice, the passage of time, the giving or withholding of any consent or the satisfaction of any other condition would otherwise—entitle the Banks to terminate this Agreement, not to undertake or permit any transfer, disposal or withdrawal which would result in such a breach.”

2.1.8 Schedule 14 of the Loan Agreement shall be deleted in its entirety and replaced by a new Schedule 14, as set out in Schedule 4 to this Agreement;

2.1.9 Schedule 17 of the Loan Agreement shall be deleted in its entirety and replaced by a new Schedule 17, as set out in Schedule 5 to this Agreement;

2.1.10 Schedule 18 of the Loan Agreement shall be deleted in its entirety and replaced by a new Schedule 18, as set out in Schedule 6 to this Agreement;

2.1.11 Schedule 23 of the Loan Agreement shall be deleted in its entirety and replaced by a new Schedule 23, as set out in Schedule 7 to this Agreement;
and

2.1.12 Schedule 24 of the Loan Agreement shall be amended by the addition of the letters from C&L Deutsche Revision AG, as set out in Schedule 8 to this Agreement.

2.2 Save to the extent amended by § 2.1 above, the terms and conditions of the Loan Agreement, including the Schedules thereto, shall remain in full force and effect.

§ 3
Condition Precedent

3.1 The amendments referred to in § 2 of this Agreement are subject to the condition precedent of written confirmation from the Agent to the Banks that the Agent has received the agreements and documents referred to in §§ 3.1.1 to 3.1.12. The agreements and documents referred to in §§ 3.1.1 to 3.1.3 shall be executed in legally binding form and delivered and their effectiveness shall not be subject to any condition. The documents referred to in §§ 3.1.4 to 3.1.6 and § 3.1.12 shall be in form and substance satisfactory to the Agent.

3.1.1 Amendment Agreement to the Sponsors' Support Agreement;

3.1.2 Amendment Agreement to the Sponsors' Guaranty;

3.1.3 Amendment Agreement to the AMD Saxonia Security Assignment of Fixed/Moveable Assets, as set out in Schedule 45 to the Loan Agreement;

3.1.4 Written Acknowledgement of the Sächsische Aufbaubank GmbH relating to the amendments to the Loan Agreement and the Operative Documents referred to therein;

3.1.5 Written confirmation of the Guarantors relating to the amendments to the Loan Agreement and the Operative Documents referred to therein;

3.1.6 Written acceptance of the Guaranty Decision by AMD Inc. and AMD Saxonia;

-
- 3.1.7 Legal Opinion of O'Melveny & Myers LLP, counsel to AMD Inc., under US law, as set out in Schedule 9;
 - 3.1.8 Legal Opinion of Nörr Stiefenhofer Lutz, counsel to the AMD-Companies, as set out in Schedule 10;
 - 3.1.9 Legal Opinion of Baker & McKenzie, counsel to the Agent and Banks, as set out in Schedule 11;
 - 3.1.10 Legal Opinion of White & Case, Feddersen, counsel to the Agent and the Banks, as set out in Schedule 12;
 - 3.1.11 Fairness Opinion from Ernst & Young relating to the Management Plan, as set out in Schedule 13;
 - 3.1.12 Written evidence that (i) the Banks under the Loan and Security Agreement of 13.7.1999 and (ii) the Banks under the Term Loan and Security Agreement of 27.9.2002, each as amended from time to time, have consented to the increase of the Sponsors' Guaranty in accordance with the provisions of the Sponsors' Support Agreement and the Sponsors' Guaranty referred to in §§ 3.1.1 and 3.1.2 or confirmation in the legal opinion of O'Melveny & Myers, as set out in Schedule 9 that no such consent is required.

§ 4
Representations and Warranties

- 4.1 *AMD Saxonia* hereby represents and warrants to the Banks as at the date hereof as follows:
 - 4.1.1 *AMD Saxonia* has taken all necessary steps and/or obtained all necessary consents for the execution of this Agreement and/or will take all necessary steps and/or obtain all necessary consents required for the execution of the Amendment Agreements to which it is a party as well as all other documents referred to in § 3.1 to which it is party in order

to ensure that such Agreements and documents are legally and validly entered into and to exercise its rights thereunder.

4.1.2 The execution of this Agreement by AMD Saxonia and the execution by each of AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC and AMD Admin of the Amendment Agreements and all other documents referred to in § 3.1 to which it is party and the performance of their obligations thereunder and/or the exercise by each party of their rights:

- (i) do not—and, in the case of the Amendment Agreements and other documents referred to in § 3.1, will not at the time of their execution—contravene any applicable law, court judgment, administrative order or consent or any contractual or other obligation of AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC or AMD Admin;
- (ii) do not—and, in the case of the Amendment Agreements and the other documents referred to in § 3.1, will not at the time of their execution—result in the termination or acceleration of any other obligation of AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC or AMD Admin;
- (iii) do not—and, in the case of the Amendment Agreements and the other documents referred to in § 3.1, at the time of their execution will not—result in any obligation of AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC or AMD Admin to grant security, other than the security referred to in the Security Documents and the Loan Agreement, as amended from time to time, to any third party.

4.1.3 This Agreement, the Amendment Agreements and all other documents referred to in § 3.1 to which AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC and AMD Admin. are party constitute—or at the time of their execution will constitute—legal and valid binding

obligations of AMD Inc., AMD Saxonia, AMD Holding, AMD Saxony LLC and AMD Admin., respectively enforceable in accordance with their respective terms, subject to the qualifications referred to in the legal opinions referred to in §§ 3.1.7 to 3.1.10 above, to the extent that such qualifications include limitations to the legality or enforceability of documents governed by German or U.S. State of Federal law and to the extent that such qualifications have been made in relation to these issues in the legal opinions referred to in §§ 3.1.7 to 3.1.10 which must be submitted to and approved by the Agent.

§ 5
Miscellaneous

- 5.1 This Agreement forms part of the Loan Agreement. All references in the Loan Agreement and in the Operative Documents as well as all notices referring thereto apply, mutatis mutandis, to this Agreement.
- 5.2 Without prejudice to the preceding provisions of this Agreement, AMD Saxonia hereby confirms that its obligations under the Loan Agreement, as amended from time to time, remain in full force and effect.
- 5.3 This Agreement and all documents referred to herein constitute Operative Documents for the purposes of the Loan Agreement.
- 5.4 This Agreement may be executed in any number of originals as well as by different parties in counterparts, each of which shall constitute one agreement.
- 5.5 §§ 25.1, 27, 28 and 29 of the Loan Agreement shall apply, mutatis mutandis, to this Agreement.
- 5.6 All references in the Operative Documents to the standard terms and conditions of business of the Security Agent shall be deemed to be a reference to those terms and conditions in force from time to time.

HVB BANQUE LUXEMBOURG SOCIÉTÉ ANONYME

_____/s/ Prellwitz Paul_____

BAYERISCHE HYPO—UND VEREINSBANK AG; MÜNCHEN

_____/s/ Prellwitz Paul_____

ING BHF-BANK Aktiengesellschaft, Niederlassung Leipzig

_____/s/ Prellwitz Paul_____

COMMERZBANK AKTIENGESELLSCHAFT, Filiale Dresden

_____/s/ Prellwitz Paul_____

DEUTSCHE POSTBANK AG BONN

_____/s/ Prellwitz Paul_____

HAMBURGISCHE LANDESBANK – GIROZENTRALE—

_____/s/ Prellwitz Paul_____

IKB DEUTSCHE INDUSTRIEBANK AG

_____/s/ Prellwitz Paul_____

LANDESBANK RHEINLAND-PFALZ—GIROZENTRALE

_____/s/ Prellwitz Paul_____

ABN AMRO BANK (DEUTSCHLAND) AG, Frankfurt

_____/s/ Prellwitz Paul_____

BANK AUSTRIA CREDITANSTALT AG, Wien

_____/s/ Prellwitz Paul_____

THE SUMITOMO MITSUI BANKING CORPORATION, Niederlassung Düsseldorf

_____/s/ Prellwitz Paul_____

DRESDNER BANK LUXEMBOURG S.A.
(as Agent and Paying Agent)

_____/s/ Prellwitz Paul_____

FIFTH AMENDMENT
TO SPONSORS' SUPPORT AGREEMENT

THIS FIFTH AMENDMENT (this "Amendment Agreement"), dated 20 December 2002, is made between 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 GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 13931 ("AMD Holding," and, together with AMD Inc., the "Sponsors"); AMD SAXONY LLC, a limited liability company organised and existing under the laws of the State of Delaware, United States of America ("AMD Saxony LLC"); AMD SAXONY ADMIN GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 20738 ("AMD Admin," and together with AMD SAXONY LLC, the "Additional Partner Companies"); DRESDNER BANK LUXEMBOURG S.A., as Agent (and successor to Dresdner Bank AG ("Dresdner") in such capacity) under the Loan Agreement dated 11 March 1997, as amended (as so amended, the "Loan Agreement") (in such capacity, the "Agent") for the Banks from time to time party thereto; and DRESDNER, as Security Agent under such Loan Agreement (in such capacity, the "Security Agent"), for the Secured Parties referred to therein.

WITNESSETH:

WHEREAS, AMD Saxony Limited Liability Company & Co. KG, Dresden (formerly AMD Saxony Manufacturing GmbH), registered in the Commercial Register of the Dresden County Court HRA 4896 ("AMD Saxonia"), has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center; and

WHEREAS, the Sponsors, the Additional Partner Companies, the Agent and the Security Agent desire to amend the Sponsors' Support Agreement dated 11 March 1997 between AMD Inc., AMD Holding, the Additional Partner Companies, Dresdner Bank AG, as Security Agent, and Dresdner Bank Luxembourg S.A., as Agent, as amended by the First Amendment to Sponsors' Support Agreement dated 6 February 1998, the Second Amendment to Sponsors' Support Agreement dated 29 June 1999, the Third Amendment to Sponsors' Support Agreement dated 20 February 2001 and the Fourth Amendment to the Sponsors' Support Agreement dated 3 June 2002 (as amended, the "Sponsors' Support Agreement"), on the terms and subject to the conditions of this Amendment Agreement.

NOW, THEREFORE, the Sponsors, the Additional Partner Companies, 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 Agreement are used with the definitions assigned to them in the Sponsors' Support Agreement.

SECTION 1.2 *Construction*. In this Amendment Agreement, 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 Agreement.

ARTICLE II
Amendments

SECTION 2.1 *Amendments*. With effect from the date hereof, the Sponsors' Support Agreement shall be amended and restated in its entirety in the form set out in Schedule 1 to this Amendment Agreement.

ARTICLE III
Miscellaneous

SECTION 3.1 *Representations and Warranties*. Each of the Sponsors, AMD Saxony LLC and AMD Admin hereby represents and warrants that as of the date hereof:

- (a) *Organisation; Corporate Power*. It is duly organised and validly existing under the laws of the jurisdiction of its organisation, and has all necessary power and authority to execute and deliver this Amendment Agreement 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 Agreement, and the performance by it of its obligations under the Sponsors' Support Agreement, as amended by this Amendment Agreement, have been duly authorised 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 Agreement, constitutes its legal, valid, and binding obligations, 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 *Repetition of Representation and Warranties*. The representations and warranties contained in Sections 12.1 and 12.2 of the Sponsors' Support Agreement shall be repeated by AMD Inc. and the Sponsors, respectively on the date hereof except to the extent any such representation and warranty expressly relates solely to an earlier date.

Schedule 1
AMENDED AND RESTATED SPONSORS' SUPPORT AGREEMENT

SCHEDULE 1

Amended and Restated

SPONSORS' SUPPORT AGREEMENT

Dated 11 March 1997

**AS AMENDED ON 6 FEBRUARY 1998, 29 JUNE 1999,
20 FEBRUARY 2001, 3 JUNE 2002**

AND

20 DECEMBER 2002

between

ADVANCED MICRO DEVICES, INC.,

AMD SAXONY HOLDING GMBH,

AMD SAXONY LLC,

AMD SAXONY ADMIN GMBH

and

**DRESDNER BANK AG,
as Security Agent,**

and

**DRESDNER BANK LUXEMBOURG S.A.,
as Agent**

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SPONSORS' SUPPORT AGREEMENT

THIS SPONSORS' SUPPORT AGREEMENT, dated 11 March 1997, as amended, is made among 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."), AMD SAXONY HOLDING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding," and together with AMD Inc., collectively, the "Sponsors"), AMD Saxony LLC, a limited liability company organized and existing under the laws of the State of Delaware, United States of America ("AMD Saxony LLC"), AMD SAXONY ADMIN GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 20738 ("AMD Admin," and together with AMD SAXONY LLC, the "Additional Partner Companies"), DRESDNER BANK LUXEMBOURG S.A. ("Dresdner"), as Agent under the Loan Agreement referred to below for the Banks referred to below (in such capacity, the "Agent"), and DRESDNER BANK AG, as Security Agent under such Loan Agreement (in such capacity, the "Security Agent") for the Secured Parties referred to below.

WITNESSETH :

WHEREAS, AMD Saxony Limited Liability Company & Co. KG, Dresden (formerly AMD Saxony Manufacturing GmbH), registered in the Commercial Register of the Dresden County Court HRA 4896 ("AMD Saxonia"), has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center (the construction, ownership, and operation of the Plant and the Design Center being hereinafter called the "Project");

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, (i) the Sponsors have made, and expect to make substantial subordinated loans to, and AMD Holding has made, and from time to time may make, substantial equity investments in, AMD Saxonia, and (ii) AMD Saxonia has entered into a Syndicated Loan Agreement, dated 11 March 1997, as amended (as so amended, the "Loan Agreement"), with the banks from time to time party thereto (hereinafter collectively called the "Banks" and individually called a "Bank"), the Agent, Dresdner, as Paying Agent (in such capacity, the "Paying Agent"), and Dresdner Bank AG, as Security Agent, providing inter alia, for a senior secured term facility aggregating up to DM 1,500,000,000 (one billion five hundred million Deutsche Marks);

WHEREAS, the Sponsors desire that the Project be constructed and completed and are entering into this Agreement with the Agent (for the benefit of itself and the Banks) and the Security Agent (for the benefit of the Secured Parties), for the purpose, among other things, of providing (i) certain assurances with respect to the completion of the Project, and (ii) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, a condition precedent to the initial Advance is, inter alia, the execution by the Sponsors of this Agreement and, in extending or continuing to extend credit to AMD Saxonia

under the Loan Agreement, the Banks are relying on the undertakings of the Sponsors contained herein;

WHEREAS, pursuant to the Conversion, AMD Saxonia changed its legal form to a *Kommanditgesellschaft* (a limited partnership organized under the laws of the Federal Republic of Germany), with AMD Holding and AMD Admin as its sole limited partners (*Kommanditisten*) and AMD Saxony LLC as its sole general partner (*Komplementär*); and

WHEREAS, the Additional Partner Companies acceded to this Agreement pursuant to the Accession Agreement and Fourth Amendment to Sponsors' Support Agreement dated 3 June 2002;

NOW, THEREFORE, the Sponsors, the Additional Partner Companies, 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 and Accounting Terms

SECTION 1.1 *Definitions*. Unless otherwise defined herein, the following terms (whether or not underlined) when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

“Advances” means all advances that the Banks make to AMD Saxonia pursuant to the Loan Agreement.

“Affiliate” means, with respect to any Person, a Person which, directly or indirectly, controls, is controlled by, or is under common control with, such other Person; and, for purposes of this definition, the concept of “control”, with respect to any Person, signifies the possession of the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, the possession of voting rights, by contract, or otherwise; provided, that none of the Agent, the Security Agent, the Paying Agent, any of the Banks, nor any of their respective Affiliates, shall be deemed to be Affiliates of (x) any AMD Company or (y) any other Subsidiary of AMD Inc.

“Agent” has the meaning assigned to that term in the introduction to this Agreement.

“Agreed Terms” means in respect of any document, the document substantially in the form thereof which has been initialled (for the purposes of identification) by or on behalf of AMD Saxonia and the Agent.

“Agreement” means this Sponsors' Support Agreement, as the same may be amended or modified in accordance with the terms hereof and in effect.

“AMD Admin” has the meaning assigned to that term in the introduction to this Agreement.

“AMD Admin Global Assignment Agreement” means the AMD Admin Global Assignment Agreement between AMD Admin and the Security Agent dated 3 June 2002.

“AMD Admin Partnership Interest Pledge Agreement (AMD Saxonia)” means the AMD Admin Partnership Interest Pledge Agreement (AMD Saxonia) between AMD Admin and the Security Agent dated 3 June 2002.

“AMD Admin Pledge of Bank Accounts” means the AMD Admin Pledge of Bank Accounts between AMD Admin and the Security Agent dated 3 June 2002.

“AMD Admin Security” means all collateral security furnished pursuant to the AMD Admin Security Documents.

“AMD Admin Security Documents” means, collectively, the AMD Admin Global Assignment Agreement, the AMD Admin Partnership Interest Pledge Agreement (AMD Saxonia), the AMD Admin Pledge of Bank Accounts, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as an AMD Admin Security Document under and for purposes of this Agreement.

“AMD Companies” means AMD Saxonia, AMD Admin, AMD Holding, AMD Saxony LLC and AMD Inc., collectively.

“AMD Holding” has the meaning assigned to that term in the introduction to this Agreement.

“AMD Holding Assignment of Contractual Rights” means the AMD Holding Assignment of Contractual Rights, in the form set out in Schedule 55 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding Assignment (U.S.A.)” means the AMD Holding Assignment of, *inter alia*, rights under the Wafer Purchase Agreements, the Sponsors’ Loan Agreement, and the Revolving Loan Facility Agreement, in the form set out in Schedule 56 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding Assignment of Current Assets” means the AMD Holding Security Assignment of Current Assets, in the form set out in Schedule 52 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding Charge of Bank Accounts” means the AMD Holding Charge of Bank Accounts, in the form set out in Schedule 54 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding Global Assignment” means the AMD Holding Global Assignment, in the form set out in Schedule 53 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding KG Partnership Interest Pledge Agreement (AMD Saxonia)” means the AMD Holding KG Partnership Interest Pledge Agreement (AMD Saxonia) between AMD Holding and the Security Agent dated 3 June 2002.

“AMD Holding Research Agreement” means the AMD Holding Research, Design and Development Agreement, in the form set out in Schedule 34 to the Loan Agreement, between AMD Inc. and AMD Holding.

“AMD Holding Security” means all collateral security created pursuant to the AMD Holding Security Documents.

“AMD Holding Security Documents” means, collectively, the AMD Holding Assignment (U.S.A), the AMD Holding Assignment of Contractual Rights, the AMD Holding Assignment of Current Assets, the AMD Holding Charge of Bank Accounts, the AMD Holding Global Assignment, the AMD Holding Share Pledge Agreement, the AMD Holding KG Partnership Interest Pledge Agreement (AMD Saxonia), the AMD Holding Share Pledge Agreement (AMD Admin), and each other instrument or document designated by the Agent (with the consent of each AMD Company) as an AMD Holding Security Document under and for purposes of this Agreement.

“AMD Holding Share Pledge Agreement” means the AMD Holding Share Pledge Agreement, in the form set out in Schedule 51 to the Loan Agreement, between AMD Holding and the Security Agent.

“AMD Holding Share Pledge Agreement (AMD Admin)” means the AMD Holding Share Pledge Agreement (AMD Admin) between AMD Holding and the Security Agent dated 3 June 2002.

“AMD Holding Wafer Purchase Agreement” means the AMD Holding Wafer Purchase Agreement, in the form of Schedule 33 to the Loan Agreement, between AMD Inc. and AMD Holding.

“AMD Inc.” has the meaning assigned to that term in the introduction to this Agreement.

“AMD Inc. Guaranty” means the AMD Inc. Guaranty in the form set out in Schedule 27 to the Loan Agreement, executed by AMD Inc. in favour of AMD Saxonia, the Agent, and the Security Agent for the benefit of the Secured Parties.

“AMD Inc. 1999 Loan and Security Agreement” means the Loan and Security Agreement, dated as of July 13, 1999, between, inter alia, AMD Inc., the lenders party thereto, and Bank of America National Trust and Savings Association, as administrative agent, as amended by the First Amendment to Loan and Security Agreement, dated as of July 30, 1999 and by the Second Amendment to Loan and Security Agreement, dated as of February 12, 2001, by the Third Amendment to Loan and Security Agreement dated as of May 20, 2002, the Fourth Amendment to Loan and Security Agreement dated as of September 3, 2002 and the Fifth Amendment to Loan and Security Agreement dated as of September 27, 2002.

“AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC” means the AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC between AMD Inc. and the Security Agent dated 3 June 2002.

“AMD Inc. Primary Bank Credit Agreement” means, from time to time:

- (i) the AMD Inc. 1999 Loan and Security Agreement; or
- (ii) if the agreement referred to in paragraph (i) above is terminated or cancelled, then any secured or unsecured revolving credit or term loan agreement between or among AMD Inc., as borrower, and any bank or banks, as lender(s), for borrowed monies to be used for general corporate purposes of AMD Inc., with an original term of not less than 4 years and an original aggregate loan commitment of at least \$100,000,000 (one hundred million Dollars) or the equivalent thereof in any other currency, and, if there is more than one such revolving credit or term loan agreement, then such agreement which involves the greatest original aggregate loan commitment(s) and, as between agreements having the same aggregate original loan commitment(s), then the one which has the most recent date; or
- (iii) if the agreement referred to in paragraph (i) above and all of the agreements, if any, which could apply under paragraph (ii) above have been terminated or cancelled, then so long as paragraph (ii) does not apply as the result of one or more new agreements being entered into, the agreement which is the last such agreement under paragraph (i) or (ii) to be so terminated or cancelled as in effect immediately prior to such termination or cancellation.

“AMD Inc. Security” means all collateral security furnished pursuant to the AMD Inc. Share Pledge Agreement and the AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC.

“AMD Inc. Senior Secured Note Indenture” means that certain Indenture, dated as of August 1, 1996, between AMD Inc. and United States Trust Company of New York, as trustee, relating to the issuance by AMD Inc. of \$ 400,000,000 (four hundred million Dollars) of its 11% Senior Secured Notes due 2003, as amended by the First Supplemental Indenture dated as of January 13, 1999, by the Second Supplemental Indenture dated as of April 8, 1999 and by the Third Supplemental Indenture dated as of July 28, 2000.

“AMD Inc. Share Pledge Agreement” means the AMD Inc. Share Pledge Agreement, in the form set out in Schedule 41 to the Loan Agreement, between AMD Inc. and the Security Agent.

“AMD Inc. Subordination Agreement” means the AMD Inc. Subordination Agreement, in the form set out in Schedule 42 to the Loan Agreement, between AMD Inc., AMD Holding, and the Security Agent.

“AMD Saxonia” has the meaning assigned to that term in the first recital of this Agreement.

“AMD Saxonia Assignment of Contractual Rights” means the AMD Saxonia Assignment of Contractual Rights, in the form set out in Schedule 49 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Assignment of Current Assets” means the AMD Saxonia Security Assignment of Current Assets, in the form set out in Schedule 44 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Assignment of Fixed Assets” means the AMD Saxonia Security Assignment of Fixed/Moveable Assets, in the form set out in Schedule 45 to the Loan Agreement, between AMD Saxonia and the Security Agent, as amended.

“AMD Saxonia Assignment of Insurances” means the AMD Saxonia Assignment of Insurances, in the form set out in Schedule 46 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Assignment (U.S.A)” means the AMD Saxonia Assignment of, inter alia, rights under the AMD Saxonia Wafer Purchase Agreement, the Sponsors’ Loan Agreement, and the Revolving Loan Facility Agreement and insurances, in the form set out in Schedule 50 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Charge of Project Accounts” means the AMD Saxonia Charge of Project Accounts, in the form set out in Schedule 48 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Disclosure Schedule” means the Disclosure Schedule attached to the Loan Agreement as Schedule 15, as it may be amended, supplemented, or otherwise modified from time to time by AMD Saxonia with the written consent of the Agent.

“AMD Saxonia/Dresdner Subsidy Agreement” means the AMD/Dresdner Subsidy Agreement, in the form set out in Schedule 25 to the Loan Agreement, between AMD Saxonia and Dresdner.

“AMD Saxonia Global Assignment” means the AMD Saxonia Global Assignment, in the form set out in Schedule 47 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Hedging Contract” means the Agreement, in the form set out in Schedule 50a to the Loan Agreement, between AMD Saxonia and AMD Inc.

“AMD Saxonia Land Charge” means the Grundschild, in the form set out in Schedule 43 to the Loan Agreement, between AMD Saxonia and the Security Agent.

“AMD Saxonia Partnership Agreement” (*AMD Saxonia Gesellschaftsvertrag*) means the AMD Saxonia Partnership Agreement between AMD Holding, AMD Admin and AMD Saxony LLC dated 3 June 2002.

“AMD Saxonia Research Agreement” means the AMD Saxonia Research, Design and Development Agreement, in the form set out in Schedule 36 to the Loan Agreement, between AMD Holding and AMD Saxonia.

“AMD Saxonia Security” means all collateral security created pursuant to the AMD Saxonia Security Documents.

“AMD Saxonia Security Documents” means, collectively, the AMD Saxonia Assignment (U.S.A), the AMD Saxonia Assignment of Contractual Rights, the AMD Saxonia Assignment of Current Assets, the AMD Saxonia Assignment of Fixed Assets, the AMD Saxonia Assignment of Insurances, the AMD Saxonia Charge of Project Accounts, the AMD Saxonia Land Charge, the AMD Saxonia Global Assignment, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as an AMD Saxonia Security Document under and for purposes of this Agreement.

“AMD Saxonia Wafer Purchase Agreement” means the AMD Saxonia Wafer Purchase Agreement, in the form set out in Schedule 35 to the Loan Agreement, between AMD Holding and AMD Saxonia.

“AMD Saxony LLC” has the meaning assigned to that term in the introduction to this Agreement.

“AMD Saxony LLC Partnership Interest Pledge Agreement (AMD Saxonia)” means the AMD Saxony LLC Partnership Interest Pledge Agreement (AMD Saxonia) between AMD Saxony LLC and the Security Agent dated 3 June 2002.

“AMD Saxony LLC Security” means all collateral security furnished pursuant to the AMD Saxony LLC Security Documents.

“AMD Saxony LLC Security Agreement” means the AMD Saxony LLC Security Agreement between AMD Saxony LLC and the Security Agent dated 3 June 2002.

“AMD Saxony LLC Security Documents” means, collectively, the AMD Saxony LLC Security Agreement, the AMD Saxony LLC Partnership Interest Pledge Agreement (AMD Saxonia), and each other instrument or document designated by the Agent (with the consent of each AMD Company) as an AMD Saxony LLC Security Document under and for purposes of this Agreement.

“Amendment Agreements” means the following agreements and documents each dated 3 June 2002: (i) Amendment Agreement No. 4 to the Syndicated Loan Agreement among AMD Saxonia, the Security Agent and the Agent; (ii) the Accession Agreement and Fourth Amendment to Sponsors’ Support Agreement between the Sponsors, AMD Saxony LLC, AMD Admin, the Agent and the Security Agent; (iii) the Third Amendment to the AMD Saxonia Wafer Purchase Agreement between AMD Holding and AMD Saxonia; (iv) the

Consent/Acknowledgement under the AMD Holding Wafer Purchase Agreement executed by AMD Holding, AMD Inc. and the Security Agent; (v) the Accession Agreement and Second Amendment to Sponsors' Subordination Agreement between the Sponsors, AMD Saxony LLC, AMD Admin, AMD Saxonia, the Agent and the Security Agent; (vi) the Accession Agreement and Second Amendment to AMD Inc. Subordination Agreement between the Sponsors, AMD Saxony LLC, AMD Admin, the Agent and the Security Agent; (vii) the First Amendment to Revolving Loan Facility Agreement between the Sponsors and AMD Saxonia; (viii) the Third Amendment to Sponsors' Loan Agreement between the Sponsors and AMD Saxonia; (ix) the First Amendment to AMD Saxonia Assignment (U.S.A.) between AMD Saxonia and the Security Agent; and (x) the Clarification and Security Agreement between the AMD Companies, the Security Agent and the Agent.

“Approved Project Budget” means:

- (i) that certain Project Budget, in the form set out in Schedule 6 to the Loan Agreement, which has been prepared 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 §18.2 of the Loan Agreement.
- (iii) The Approved Project Budget referred to in paragraph (i) above and (subject to the requirements of Section 13.1(i)(d)(v)(1)) each 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.

“Approved Project Schedule” means:

- (i) initially, that certain Project Schedule, in the form set out in Schedule 7 to the Loan Agreement, which has been prepared by AMD Saxonia and approved by each Sponsor with respect to the schedule for completing each Project Phase and for achieving Completion; and
- (ii) at any time after such Project Schedule has been updated, amended, supplemented, or otherwise modified, and prior to Completion, any such updated, amended, supplemented, or modified Project Schedule 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 § 18.2 of the Loan Agreement.

The initial Approved Project Schedule and (subject to the requirements of Section 13.1(i)(d)(y)(2)) each subsequent Approved Project Schedule 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 then anticipated date for completing each then uncompleted Project Phase and for achieving Completion. All references herein to the Approved Project Schedule shall, at any time, refer to the Approved Project Schedule as then in effect.

“Assignment and Trust Agreement” means the agreement referred to in (ix) of the definition of Conversion Documents.

“Auditor” means Ernst & Young Wirtschaftsprüfungsgesellschaft mbH or such other firm of auditors charged with duties relating to the Project as may be appointed by AMD Saxonia with the consent of the Agent, such consent not to be unreasonably delayed or withheld.

“Available Tranche A Amount” means, on any date, the excess, if any, of:

(i) the Total Tranche A Commitment Amount on such date;

over

(ii) the aggregate unpaid principal amount of all Tranche A Advances outstanding on such date.

“Bank” and “Banks” have the respective meanings assigned to those terms in the second recital of this Agreement.

“Banks' Auditor” means BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft or such other firm of auditors charged with duties relating to the Project as may be appointed by the Banks with the consent of AMD Saxonia, such consent not to be unreasonably delayed or withheld.

“Business Day” means any day of the year on which banks are 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. or AMD Saxony LLC, San Francisco.

“Capital Expenditure” means all acquisition or manufacturing costs in respect of fixed and movable assets in accordance with § 266 2 A II of the Commercial Code and all acquisition costs for intangible assets in accordance with § 266 2 A I of the Commercial Code, to the extent the same have a useful operational life of more than one year (not being expenditures chargeable to the profit and loss account).

“Capitalised Lease Liabilities” means, with respect to any Person, all monetary obligations of such Person under any leasing or similar arrangement which, in accordance with

GAAP, would be classified as fixed or capitalised leases or finance leases, and, for purposes of this Agreement, the amount of such obligations shall be the capitalised amount thereof, determined in accordance with GAAP, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“Cash Equivalent Investment” means any security or other instrument set out in Schedule 23 to the Loan Agreement.

“Class A Sponsors’ Loans” has the meaning assigned to that term in Section 3.1.

“Class C Sponsors’ Loans” has the meaning assigned to that term in Section 3.1.

“Completion” means the date on which the initial satisfaction of all conditions set forth in the Technical Completion Certificate (Obligors) and the Technical Completion Certificate (Technical Advisor), set out in Schedules 9 and 10 to the Loan Agreement is confirmed to the Agent by the submission of properly executed originals of such Certificates.

“Completion Certificates” means the Scheduled Project Phase Completion Certificates and the Technical Completion Certificates.

“Consent and Agreement” means:

- (i) in the case of the Sponsors, the Sponsors’ Consent and Agreement;
- (ii) in the case of the Contractor, the Contractor’s Consent and Agreement;
- (iii) in the case of an Equipment Supplier, each Equipment Supplier’s Consent and Agreement; and
- (iv) in the case of a Service Supplier, each Service Supplier’s Consent and Agreement.

“Contingent Liabilities” means, with respect to any Person, any agreement, undertaking, or arrangement by which such Person guarantees, endorses, or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment to, supply funds to, or otherwise invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation, or other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person’s obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the indebtedness, obligation, or other liability guaranteed thereby.

“Contractor” means Meissner & Wurst GmbH & Co., Roßbachstraße 38, 70499 Stuttgart, registered in the Commercial Register of the Stuttgart County Court HRA 1208.

“Contractor’s Consent and Agreement” means the Contractor’s Consent and Agreement, in the form set out in Schedule 39 to the Loan Agreement, or in such other form as is consented to by the Security Agent from the Contractor in favour of the Security Agent.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust, or other instrument, document, or agreement to which such Person is a party or by which it or any of its property is bound.

“Contribution Date” means 30 June 1999.

“Conversion” means the change in the legal form of AMD Saxonia from a *Gesellschaft mit beschränkter Haftung* (a limited liability company organized under the laws of the Federal Republic of Germany) to a Limited Partnership in accordance with the Conversion Documents and the Registration.

“Conversion Documents”: means the following agreements and documents, each in the Agreed Terms: (i) the Certificate of Formation of AMD Saxony LLC; (ii) the AMD Admin Articles of Association; (iii) the Formation Protocol for AMD Admin; (iv) the Application to the Commercial Register for Formation of AMD Admin; (v) the Resolution of AMD Holding as Shareholder of AMD Admin for Section 181 German Civil Code Release; (vi) the List of Shareholders for AMD Admin; (vii) the AMD Saxony LLC Agreement; (viii) the Partnership Agreement of AMD Saxony LLC & Co., KG; (ix) the Assignment and Trust Agreement between AMD Holding and AMD Saxony LLC; (x) the Purchase and Assignment Agreement between AMD Holding and AMD Admin; (xi) the Resolution of AMD Holding as Shareholder of AMD Saxonia for Transfer of Fractional Share to AMD Saxony LLC; (xii) the Notification to AMD Saxonia of Assignment of Fractional Share to AMD Admin; (xiii) the List of Shareholders of AMD Saxonia (reflecting addition of AMD Admin); (xiv) the Resolution of AMD Holding and AMD Saxony LLC as Shareholders of AMD Saxonia for Transfer of Fractional Share to AMD Admin; (xv) the Notification to AMD Saxonia of Assignment of Fractional Share to AMD Saxony LLC; (xvi) the List of Shareholders of AMD Saxonia (reflecting addition of AMD Saxony LLC); (xvii) the Resolution of AMD Holding, AMD Admin and AMD Saxony LLC as Shareholders of AMD Saxonia Approving Conversion to a Limited Partnership; (xviii) the Resolution of AMD Inc. as Shareholder of AMD Holding Approving Conversion of AMD Saxonia; (xix) Application to the Commercial Register for Conversion of AMD Saxonia to a Limited Partnership; (xx) Application to the Real Estate Register for Change in AMD Saxonia’s Name; (xxi) the Transfer Agreement for Transfer Back Of Fractional Share between AMD Holding and AMD Saxony LLC; (xxii) Application to the Commercial Register for Transfer Back of Fractional Share by AMD Saxony LLC to AMD Holding; (xxiii) Power of Attorney regarding Removal of AMD Saxony LLC as General Partner of AMD Saxonia; and (xxiv) any other agreement or document designated by the AMD Companies (with the consent of the Agent) in addition to or in substitution for any of the above-named documents or agreements as a “Conversion Document.”

“Conversion Effective Date” means the date on which the Registration takes effect.

“Design/Build Agreement” means the Design/Build Agreement for the construction of the Plant and the Design Center, in the form set out in Schedule 39 to the Loan Agreement, between the Contractor and AMD Saxonia.

“Design Center” means the research, design, and development facilities constructed or to be constructed by AMD Saxonia and integrated with the Plant for the purpose of designing and developing a broad spectrum of state-of-the-art and other digital components such as micro-processors and circuits for the telecommunications and multi-media sectors, and improvements thereof.

“Deutsche Mark Equivalent” means, with respect to any Class A Sponsors’ Loan, the amount, expressed in Deutsche Marks, which results from the conversion of Dollars to Deutsche Marks at a spot rate of exchange equal to the greater of (i) DM 1.45 for \$1.00 and (ii) the Agent’s spot rate of exchange, expressed in Deutsche Marks, for the sale of Dollars for Deutsche Marks prevailing on the date two (2) Business Days prior to the date such Class A Sponsors’ Loan is or was due to be made.

“Deutsche Marks” and the sign “DM” mean lawful money of the Federal Republic of Germany from time to time.

“Disclosure Schedules” means the AMD Saxonia Disclosure Schedule and the Sponsors’ Disclosure Schedule, collectively.

“Dollars” and the sign “\$” mean the lawful money of the United States of America from time to time.

“Dresdner” has the meaning assigned to that term in the introduction to this Agreement.

“Encumbrance” means, (i) when used with reference to any Person organized and existing under the laws of the Federal Republic of Germany, any security interest in property or in rights to secure payment of a debt or performance of an obligation, including, but not limited to, mortgages (*Hypotheken*), land charges (*Grundschulden*), annuity charges (*Rentenschulden*), contractual and legal pledges (*vertragliche und gesetzliche Pfandrechte*) including pledges or mortgages in favour of execution creditors (*Pfändungspfandrechte und Zwangshypotheken*), transfers of title by way of security (*Sicherungsübereignungen*), assignments of claims or other property or rights by way of security (*Sicherungsabtretungen und sonstige Übertragungen von Sachen oder Rechten zur Sicherung*), retention of title arrangements (*Eigentumsvorbehalt*) including extended retentions of title (*erweiterter und verlängerter Eigentumsvorbehalt*), and any other priority or preferential arrangement of any kind or nature whatsoever, and (ii) when used with reference to any other Person, any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge (including floating and fixed charges) against or interest in property to secure payment of a debt or performance of an obligation, or other preferential arrangement of any kind or nature whatsoever in respect of any property, but not including the interest of a lessor under a lease which, in accordance with GAAP, would be classified as an operating lease.

“Equipment Suppliers” means, collectively, each Person party to a contract or other agreement with AMD Saxonia in the capacity of a supplier of fixed or tangible current assets for the Project; it being understood and agreed that AMD Inc. or an Affiliate thereof (other than AMD Saxonia) may be an Equipment Supplier.

“Equipment Supplier’s Consent and Agreement” means, with respect to an Equipment Supplier, such Equipment Supplier’s Consent and Agreement, in the form set out in Schedule 40 to the Loan Agreement or Annex 3 to Schedule 49 or Annex 3 to Schedule 55 of the Loan Agreement, as the case may be, or in such other form as is consented to by the Security Agent, which pertains to a Material Equipment Supply Contract or which is otherwise required pursuant to the terms of the Loan Agreement or the Security Documents.

“Equipment Supply Contract” means each agreement (also in the form of an order) between AMD Saxonia and suppliers (including AMD Inc. or one of its Affiliates) relating to the acquisition by, and delivery to, AMD Saxonia of fixed or tangible current assets for the Project but excluding Excepted Software Agreements.

“Equity Capital” means (i) with respect to AMD Saxonia (a) at any time prior to the Conversion Effective Date, registered stated capital (*Stammkapital*) and (b) at any time on or after the Conversion Effective Date, capital (*Haftsummen* and *Pflichteinlagen*) and (ii) with respect to AMD Holding registered stated capital (*Stammkapital*).

“Euro” means the currency introduced at the start of the third stage of economic and monetary union pursuant to the treaty establishing the European Community, as amended by the treaty on European Union effective January 1, 1999.

“Event of Default” means an event which would entitle the Banks to terminate their commitments and the loan facilities pursuant to § 21 of the Loan Agreement.

“Event of Termination” means any event which would entitle a party to an Operative Document to terminate such Operative Document in accordance with the terms thereof; provided, however, that such event could reasonably be expected to have a material adverse consequence to the entirety of the transactions contemplated by the Operative Documents.

“Excepted Software Agreements” means software licences and software service agreements entered into by AMD Saxonia and which are used exclusively:

- (i) for financial planning, business administration systems and similar ancillary administrative functions which are not linked or connected with (a) the production process in the Plant; (b) general bookkeeping and invoicing; and (c) production planning; or
- (ii) in the Design Center.

“Financing Documents” means, collectively, the Loan Agreement, this Agreement, the Amendment Agreements, the Sponsors’ Guaranty, the Sponsors’ Subordination Agreement, the AMD Inc. Subordination Agreement, the Sponsors’ Loan Agreement, the

Revolving Loan Facility Agreement, the AMD Saxonia/Dresdner Subsidy Agreement, the SAB/Dresdner Subsidy Agreement, the 65/35 Bürgschaft, the AMD Saxonia Hedging Contract, the Security Documents, each Consent and Agreement, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as a Financing Document under and for purposes of this Agreement.

“Fiscal Month” means any fiscal month of a Fiscal Year.

“Fiscal Quarter” means any fiscal quarter of a Fiscal Year.

“Fiscal Year” means any period of approximately 12 consecutive calendar months ending on the last Sunday in December; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the “1997 Fiscal Year”) refer to the Fiscal Year ending on the last Sunday in December occurring during such calendar year.

“GAAP” means, (x) in the case of AMD Saxonia, AMD Holding or AMD Admin, or its respective financial statements, those generally accepted accounting principles in general use by the accounting profession (*Grundsätze ordnungsgemässer Buchführung und Bilanzierung*) and in effect in Germany on the date on which such financial statements are delivered pursuant to this Agreement (it being expressly understood and agreed that AMD Saxonia’s monthly and quarterly financial statements, as the case may be, shall be prepared on the basis of a Fiscal Month or a Fiscal Quarter (rather than on the basis of a calendar month or a calendar quarter, as the case may be), but shall be reconciled on an annual basis), and (y) in the case of AMD Inc. or AMD Saxony LLC or their respective financial statements, generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

“Governmental Approvals” means each and every authorization, consent, approval, licence, permit, franchise, certificate, exemption or order of or filing or registration with, any Governmental Authority or legal or regulatory body, federal, state, local or foreign except for (i) routine or periodic information reports which, if not filed, would not in any case or in the aggregate, adversely affect the due authorization, execution, delivery, validity, legality, or enforceability of any of the Operative Documents, (ii) filings of certificates or articles of incorporation, registrations or qualifications of a foreign corporation or similar corporate filings, and (iii) returns and filings with respect to taxes.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Guarantors” means the Federal Republic of Germany and the Free State of Saxony in their respective capacities as guarantors pursuant to the 65/35 Bürgschaft.

“Guaranty Decision” means the decision dated 2 July 1996 set out in Schedule 24 to the Loan Agreement concerning the guaranty application made by AMD Saxonia, including the following documents:

- (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,
- (iv) 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;
- (v) the letter from Deutsche Revision AG to Dresdner Kleinwort Benson dated 17 November 2000; and
- (vi) the letters from C&L Deutsche Revision AG to Dresdner Kleinwort Wasserstein and Dresdner Bank AG dated 22 May 2002, 19 November 2002, 4 December 2002 and 5 December 2002.

“Indebtedness” of any Person, means, without duplication:

- (i) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, or similar instruments;
- (ii) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, guarantees, and bankers’ acceptances issued for the account of such Person, whether or not drawn or paid;
- (iii) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as Capitalised Lease Liabilities;
- (iv) all net liabilities of such Person under or in connection with any interest rate, currency, commodity, or other hedging contracts to which such Person is a party;
- (v) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Indebtedness is to be determined;

(vi) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, and indebtedness (including pre-paid interest thereon) secured by an Encumbrance on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; and

(vii) all Contingent Liabilities of such Person in respect of any of the foregoing.

For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer, respectively.

“Information Memorandum” means the Information Memorandum, dated September 1996, entitled “AMD Saxony Manufacturing GmbH, Dresden: DM 1,650,000,000 Information Memorandum Limited Recourse Financing”, prepared and furnished by the AMD Companies to the Agent, for distribution to prospective lenders under the Loan Agreement, as such Information Memorandum may at any time be amended or modified with the consent of each AMD Company and in effect.

“Instructing Group” means in respect of any matter, the Banks whose votes are required to pass a resolution on such matter as determined in accordance with §§ 22.5 and 22.6 of the Loan Agreement.

“License Agreement” means the License Agreement, in the form set out in Schedule 38 to the Loan Agreement, between AMD Inc., AMD Holding, and AMD Saxonia.

“Limited Partnership” means a limited partnership (*Kommanditgesellschaft*) under the laws of the Federal Republic of Germany.

“Loan Agreement” has the meaning assigned to that term in the second recital of this Agreement.

“Loan Agreement Effective Date” means the date specified by the Agent in a notice given to the parties hereto as being the first date on or as of which (i) the Loan Agreement has been executed and delivered by each of the respective parties thereto, and (ii) the Agent has received each of the documents referred to in §§ 5.1.1 to 5.1.16 of the Loan Agreement, in each case in the form, and with the substance, specified therein.

“Loan Agreement Termination Date” has the meaning assigned to that term in Section 15.7.

“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.

“Management Service Agreement” means the Amended and Restated Management Service Agreement, in the form set out in Schedule 37 to the Loan Agreement, between AMD Inc., AMD Holding, and AMD Saxonia.

“Material Adverse Effect” means

- (i) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise), or prospects of any AMD Company, or of AMD Inc. and its Subsidiaries, taken as a whole;
- (ii) with respect to the Contractor, a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise), or prospects of the Contractor and its Subsidiaries, taken as a whole;
- (iii) with respect to an Equipment Supplier, a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise), or prospects of such Equipment Supplier and its Subsidiaries, taken as a whole;
- (iv) with respect to a Service Supplier, a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise), or prospects of such Service Supplier and its Subsidiaries, taken as a whole;
- (v) a material impairment of the ability of any AMD Company, the Contractor, any Equipment Supplier, or any Service Supplier to perform its obligations under any Operative Document to which it is or is to be a party; or
- (vi) a material adverse effect upon (i) the legality, validity, binding effect, or enforceability against any AMD Company, the Contractor, any Equipment Supplier, or any Service Supplier of any Operative Document, or (ii) the perfection or priority of any Security granted under any of the Security Documents;

provided, however, that with respect to an event described in clause (ii), (iii), (iv), or (v), or, with respect to the Contractor, an Equipment Supplier, or a Service Supplier, clause (v) or (vi) above, such event could reasonably be expected to have a material adverse consequence to the entirety of the transactions contemplated by the Operative Documents.

“Material AMD Inc. Subsidiary” means, at any time, any Subsidiary of AMD Inc. having at such time (either on an individual basis or on a consolidated basis for such Subsidiary and its Subsidiaries) either:

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- (i) total (gross) revenues for the preceding four Fiscal Quarter period in excess of 5% of gross revenues for AMD Inc. and its Subsidiaries on a consolidated basis for such period, or
 - (ii) total assets, as of the last day of the preceding Fiscal Quarter, having a net book value in excess of 5% of total assets for AMD Inc. and its Subsidiaries on a consolidated basis as of such date,

in each case, based on the then most recent annual or quarterly financial statements delivered to the Agent hereunder; provided, however, that AMD Saxonia, AMD Saxony LLC, AMD Holding and AMD Admin shall, for purposes of this Agreement, each be deemed to be a Material AMD Inc. Subsidiary.

“Material Equipment Supply Contract” means each Equipment Supply Contract:

- (i) pursuant to which AMD Saxonia incurs obligations in aggregate in excess of DM 3,750,000, or
- (ii) which has an initial term in excess of 12 months, or which has an indefinite term and, in either case, cannot be terminated by AMD Saxonia on less than 12 months’ notice, or
- (iii) which is listed in Part I of Schedule 40 to the Loan Agreement.

“Material Service Contract” means each Service Contract (with the exception of the AMD Saxonia Wafer Purchase Agreement, the Management Service Agreement and employment contracts):

- (i) pursuant to which AMD Saxonia incurs obligations in aggregate in excess of DM 2,500,000 during the term of the contract, or
- (ii) which has an initial term in excess of 12 months, or which has an indefinite term and, in either case, cannot be terminated by AMD Saxonia on less than 12 months’ notice, or
- (iii) which is listed in Part I of Schedule 40 to the Loan Agreement.

“Minimum Liquidity Covenant” means the covenant described as (*Mindestliquiditätskennzahl*) in Schedule 17 to the Loan Agreement, pursuant to which AMD Saxonia has undertaken to ensure at all times from the date on which the Fifth Amendment to the Loan Agreement dated 20 December 2002 becomes unconditional in all respects until the payment in full of all Secured Obligations, the balance standing to the credit of the Project Accounts maintained with the Security Agent at its offices in Dresden or London shall be at least equal to the amounts and for the periods set out in the table referred to in paragraph 4 of Schedule 17 to the Loan Agreement.

“Minimum Liquidity Covenant Calculation Date” means, with effect from the effective date of the Fifth Amendment to the Loan Agreement:

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- (i) the date as of which the Minimum Liquidity Covenant is, or is required to be, calculated in any certificate of compliance furnished by AMD Saxonia pursuant to § 16.2.1 of the Loan Agreement;
 - (ii) the date so referred to in a confirmation relating to the financial covenants given by the Auditor pursuant to § 16.2.2 of the Loan Agreement; and
 - (iii) each other date on which the Agent has reasonably requested a calculation of the Minimum Liquidity Covenant to be made.

“Operative Documents” means, collectively, the Project Agreements, the Financing Documents, the AMD Inc. Primary Bank Credit Agreement, the Management Plan, each Project Budget, each Project Schedule, each Approved Project Budget, each Approved Project Schedule, the Information Memorandum, the Completion Certificates, the Conversion Documents, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as an Operative Document under and for purposes of this Agreement.

“Opinion Reservations” means limitations on the enforceability of legal documents as a matter of German law or the law of the United States of America or one of its states and as incorporated as qualifications to an enforceability opinion in the legal opinions delivered to and accepted by the Agent under and pursuant to § 5.1.11 of the Loan Agreement or in the legal opinions delivered to and accepted by the Agent under and pursuant to Amendment No. 1 to the Loan Agreement dated 6 February, 1998, Amendment No. 2 to the Loan Agreement dated 29 June, 1999, Amendment No. 3 to the Loan Agreement dated 20 February, 2001, Amendment No. 4 to Loan Agreement dated 3 June 2002 and the Amendment No. 5 to the Loan Agreement dated 20 December 2002.

“Organizational Documents” means, with respect to any AMD Company, its certificate of incorporation, certificate of formation, Memorandum and Articles of Association, charter, by-laws, and (except with respect to AMD Inc.) all shareholder agreements, voting trusts, and similar arrangements applicable to its capital.

“Paying Agent” has the meaning assigned to that term in thesecond recital of this Agreement.

“Perform in Accordance with the Plans and Specifications” means, for purposes of the Technical Completion tests, and when used for the period from and after Technical Completion, the performance by the Plant, on a substantially continuous basis substantially as intended under normal operating conditions, of the functions for which it was designed in accordance with the Plans and Specifications. In order to certify that the Plant is capable of performing substantially as intended under normal operating conditions, the Technical Advisor will during normal operations of the Plant (and without, to the extent practicable, disrupting production at the Plant), observe the operation of the Plant and its component parts to determine if the Plant and its component parts (except for uninstalled spares):

- (x) are in operation and performing normally; and

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- (y) demonstrate as a whole the operation of the principal component parts of the Plant at production rates consistent with the design capacity of the Plant (as observed by the Technical Advisor from the operating log sheets and such other data as may be reasonably available and is demonstrated from AMD Saxonia's operating reports, copies of which will be obtained by the Technical Advisor).

The Technical Advisor will not be required to conduct specific tests on individual pieces of the Plant or its component parts in making this determination. In order to certify that the Plant has met the tests, or has demonstrated performance equivalent to the tests, set forth in the definition "Perform in Accordance with the Plans and Specifications", the Technical Advisor will:

- (i) in the case of demonstrated performance equivalent to the tests of the Plant (or portion thereof), obtain and rely on copies of, review, and analyze, AMD Saxonia's operating data comprising, but not limited to, daily log sheets, yield test results, and product shipments and, based upon the foregoing, will determine if the Plant (or such portion) has demonstrated its required performance; and
- (ii) in the case of a formal test run, observe the operations during normal business hours to verify the operating rates and time of operation and obtain and rely on copies of and review and analyze AMD Saxonia's operating data (as specified in clause (i) above) to independently determine if the Plant (or portion thereof) has demonstrated its required performance.

"Permitted Encumbrances" means, (i) in the case of AMD Saxonia, AMD Saxony LLC, AMD Admin or AMD Holding, any Encumbrance arising by operation of law in the ordinary course of business, Encumbrances arising in the ordinary course of business as a result of a supplier retaining title to goods supplied pending payment for such goods, and Encumbrances on the Security pursuant to the Security Documents, and (ii) in the case of AMD Inc. or any Subsidiary of AMD Inc. (other than AMD Saxonia, AMD Saxony LLC, AMD Admin or AMD Holding), a "Permitted Lien" under, and as defined in, the AMD Inc. 1999 Loan and Security Agreement (or the equivalent thereof in any other AMD Inc. Primary Bank Credit Agreement).

"Person" means an individual or a corporation, partnership, limited partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof), or other juridical entity of any kind.

"Plans and Specifications" means the plans and specifications to be prepared by AMD Saxonia and approved by each of the Sponsors (which approval shall not be unreasonably delayed or withheld), the Technical Advisor, and the Agent for the fitting out of the Plant and the Design Center, as the same may be amended by AMD Saxonia from time to time with the consent of each Sponsor and the Agent (which consent, in the case of each Sponsor, shall not be unreasonably delayed or withheld); provided, that amendments to the plans and specifications

which do not, individually or in the aggregate, reduce or adversely affect the value of the Plant and the Design Center in any material respect or the capacity and purpose of the Plant as set out in the plans and specifications as originally approved by the Technical Advisor and the Agent for purposes of the Operative Documents shall not require the consent of the Agent.

“Plant” means the advanced silicon wafer production facility constructed or to be constructed by AMD Saxonia in or near Dresden, Germany to manufacture integrated circuits in wafer form using high-volume semi-conductor wafer fabrication processes.

“Primary Secured Obligations” means, at the time any determination thereof is to be made, all Secured Obligations then owing and, whether or not then owing, all Secured Obligations in respect of the principal of and interest on the Advances.

“Project” has the meaning assigned to that term in the first recital of this Agreement.

“Project Accounts” means the account or accounts referred to and opened pursuant in § 19.1 of the Loan Agreement (including any sub-accounts into which any such account may be divided), as such account may be renewed, redesignated, or renumbered from time to time.

“Project Agreements” means, collectively, the Wafer Purchase Agreements, the Research Agreements, the Management Service Agreement, the License Agreement, the Design/Build Agreement, the Equipment Supply Contracts, the Service Contracts, the AMD Inc. Guaranty, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as a Project Agreement under and for purposes of this Agreement.

“Project Budget” means the budget, in the form set out in Schedule 6 to the Loan Agreement, with such changes (if any) to its form as the Agent may from time to time reasonably require, of projected Capital Expenditure for the implementation of the Project and the Project Phases in the implementation of the Project prior to Completion, including a detailed projected sources and uses of funds statement, broken down for each Project Phase on a Fiscal Quarter by Fiscal Quarter basis, as prepared by AMD Saxonia and approved by each Sponsor in accordance with the Management Plan and the Project Schedule, such approval not to be unreasonably withheld or delayed.

“Project Costs” means all Capital Expenditure and other costs which are incurred by AMD Saxonia in connection with the Project.

“Project Phase” means each project phase set out in the Approved Project Schedule contemplated for the implementation of the Project.

“Project Schedule” means the schedule, in the form set out in Schedule 7 to the Loan Agreement, with such changes (if any) to its form as the Agent may from time to time reasonably require, of Project Phases to be achieved during the construction of the Project prior to Completion, as prepared by AMD Saxonia and approved by each Sponsor, such approval not to be unreasonably withheld or delayed.

“Registration” means the registration of the Conversion with the Commercial Register in Dresden.

“Relevant AMD Inc. Individual” means any Vice President or more senior officer of AMD Inc., some or all of whose responsibilities include the Project.

“Requirements of Law” means, with respect to any Person, any law (statutory or common), treaty, rule, or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Research Agreements” means, collectively, the AMD Saxonia Research Agreement and the AMD Holding Research Agreement.

“Revolving Loan Facility Agreement” means the \$750,000,000 subordinated unsecured Revolving Loan Facility Agreement dated 20 February 2001 among AMD Inc., AMD Holding, and AMD Saxonia, as amended by the First Amendment to the Revolving Loan Facility Agreement dated 3 June 2002.

“Revolving Loans” means, the subordinated unsecured revolving loans made by either Sponsor to AMD Saxonia under the terms of the Revolving Loan Facility Agreement.

“SAB” means *Sächsische Aufbaubank GmbH*, a *Gesellschaft mit beschränkter Haftung* organised and existing under the laws of Germany and registered in Dresden, Germany, acting on behalf of the Free State of Saxony.

“SAB/Dresdner Subsidy Agreement” means the Agreement, in the form set out in Schedule 26 to the Loan Agreement, between SAB and Dresdner.

“SAB Related Agreements” means the AMD Saxonia/Dresdner Subsidy Agreement and the SAB/Dresdner Subsidy Agreement, collectively.

“Same Day Funds” means, at the time of any determination, funds which are immediately available to AMD Saxonia.

“Scheduled Project Phase Completion Certificates” means the Scheduled Project Phase Technical Completion Certificate (Obligors) and the Scheduled Project Phase Technical Completion Certificate (Technical Advisor).

“Scheduled Project Phase Technical Completion” when used with reference to a Project Phase, shall be deemed to have occurred when:

- (i) all of the conditions set forth in the form of Scheduled Project Phase Technical Completion Certificate (Obligors) attached to the Loan Agreement as Schedule 9 thereto have been satisfied in all material respects, all of the statements appearing in said form of Certificate are true and correct in all material respects, in each case with respect to such

Project Phase, and the Agent shall have received a fully executed counterpart of such Certificate; and

(ii) the Agent shall have received a fully executed counterpart of the Scheduled Project Phase Technical Completion Certificate (Technical Advisor).

“Scheduled Project Phase Technical Completion Certificate (Obligors)” means a Certificate, in the form set out in Schedule 9 to the Loan Agreement (appropriately completed), executed by the AMD Companies, and delivered to the Agent.

“Scheduled Project Phase Technical Completion Certificate (Technical Advisor)” means a Certificate, in the form set out in Schedule 10 to the Loan Agreement (appropriately completed), executed by the Technical Advisor, and delivered to the Agent.

“Secured Obligations” means all actual and contingent obligations of AMD Saxonia to the Secured Parties under or arising out of the Financing Documents and the Security Documents.

“Secured Parties” means the Agent, the Paying Agent, the Security Agent, and the Banks, collectively.

“Security” means, collectively, the AMD Inc. Security, the AMD Holding Security, the AMD Saxony LLC Security, the AMD Admin Security and the AMD Saxonia Security.

“Security Agent” has the meaning assigned to that term in the introduction to this Agreement.

“Security Documents” means, collectively, the AMD Saxonia Security Documents, the AMD Holding Security Documents, the AMD Saxony LLC Security Documents, the AMD Admin Security Documents, the AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC, the AMD Inc. Share Pledge Agreement, and each other instrument or document designated by the Agent (with the consent of each AMD Company) as a Security Document under and for purposes of this Agreement.

“Service Contract” means each agreement (which may be in the form of an accepted order) between AMD Saxonia and a Service Supplier relating to the acquisition by, and delivery to, AMD Saxonia of services for the Project but excluding Excepted Software Agreements.

“Service Suppliers” means, collectively, each Person party to a contract or other agreement with AMD Saxonia in the capacity of a supplier of services for the Plant or the Design Center.

“Service Supplier’s Consent and Agreement” means, with respect to a Service Supplier, such Service Supplier’s Consent and Agreement, in the form set out in Schedule 40 to the Loan Agreement or Annex 3 to Schedule 49 of the Loan Agreement, as the case may be, or

such other form as is consented to by the Security Agent, which pertains to a Material Service Contract or which is otherwise required pursuant to the terms of the Loan Agreement or the Security Documents.

“65/35 Bürgschaft” means the several maximum amount shortfall guaranties issued by each of the Free State of Saxony (26%) and the Federal Republic of Germany (39%) in accordance with the Guaranty Decision up to a maximum aggregate amount of DM 975,000,000 (nine hundred and seventy five million Deutsche Marks), together with 65% of the shortfall of interest and costs, vested with a first right of satisfaction in favour of the Banks over all security granted by each AMD Company as security for the Banks’ risk of recovery (but subject to a reduction of:

- (i) 65 % of payments (if any) made under the Sponsors’ Guaranty; and
- (ii) 80 % of any proceeds of realisation received by the Security Agent and/or the Banks from the ATPC Security Assets (as defined or referred to in the AMD Saxonia Assignment of Fixed Assets) in accordance with the AMD Saxonia Assignment of Fixed Assets,

against the Guarantors’ obligations under the aforesaid shortfall guaranties).

“Sponsors” has the meaning assigned to that term in the introduction to this Agreement.

“Sponsors’ Consent and Agreement” means the Sponsors’ Consent and Agreement, in the form set out in Schedule 31 to the Loan Agreement, between the Sponsors, the Agent, and the Security Agent.

“Sponsors’ Disclosure Schedule” means the Disclosure Schedule attached as Schedule II, as it may be amended, supplemented, or otherwise modified from time to time by the Sponsors with the written consent of the Agent.

“Sponsors’ Guaranty” means the Sponsors’ Guaranty, in the form set out in Schedule 32 to the Loan Agreement, executed by the Sponsors in favour of the Agent and the Security Agent for the benefit of the Secured Parties, as amended.

“Sponsors’ Loan Agreement” means the Sponsors’ Loan Agreement, in the form set out in Schedule 29 to the Loan Agreement, between the Sponsors, as lenders, and AMD Saxonia, as borrower.

“Sponsors’ Loans” means all loans made or to be made by AMD Inc. or AMD Holding to AMD Saxonia in accordance with the terms of the Sponsors’ Loan Agreement, which loans are subordinated in accordance with the Sponsors’ Subordination Agreement.

“Sponsors’ Subordination Agreement” means the Sponsors’ Subordination Agreement, in the form set out in Schedule 30 to the Loan Agreement, executed by the Sponsors, AMD Saxonia, and the Security Agent.

“Sponsors’ Warranty Date” means each of the following dates which occurs prior to the exercise of rights by the Security Agent under any of the Security Documents: (i) the Loan Agreement Effective Date, (ii) each date AMD Saxonia delivers a notice of drawing for an Advance under the Loan Agreement, (iii) each date the AMD Companies deliver each Scheduled Project Phase Technical Completion Certificate (Obligors), (iv) the date of Technical Completion, (v) the Conversion Effective Date and (vi) each date the Sponsors deliver the certificate referred to in Section 13.1(i)(c).

“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).

“Subsidiary” means with respect to (i) any corporation organized and existing under the laws of the Federal Republic of Germany, a subsidiary within the meaning of the term “*abhängiges Unternehmen*” in § 17 of the German Stock Corporation Act (*Aktiengesetz*); and (ii) any Person, a corporation, partnership, limited partnership, limited liability company, trust, incorporated or unincorporated association or other entity of which such Person or such Person and/or such Person’s other Subsidiaries own, directly or indirectly, more than 50% of the ordinary voting power for the election of directors or others performing similar functions.

“Subsidiaries” has the meaning assigned to that term in Section 6.1.

“Substitution” means the substitution of AMD Admin as general partner (*Komplementär*) of AMD Saxonia in place of AMD Saxony LLC in accordance with the AMD Saxonia Partnership Agreement.

“Taxes” has the meaning assigned to that term in Section 14.5(a).

“Technical Advisor” means *Fraunhofer Institut für Siliziumtechnologie, Itzehoe*, or such other technical advisor as may be appointed by the Security Agent with the consent of each AMD Company, which consent shall not be unreasonably delayed or withheld.

“Technical Advisor’s Report” means that certain report dated October 16, 1996 from the Technical Advisor to the Agent prepared for purposes of this Agreement and the other Operative Documents and the transactions contemplated hereby and thereby.

“Technical Completion” shall be deemed to have occurred when:

- (i) all of the conditions set forth in the form of Technical Completion Certificate (Obligors) attached to the Loan Agreement as Schedule 9 thereto have been satisfied in all material respects, all of the statements appearing in said form of Certificate are true and correct in all material respects, and the Agent shall have received a fully executed counterpart of such Certificate; and

(ii) the Agent shall have received a fully executed counterpart of the Technical Completion Certificate (Technical Advisor).

“Technical Completion Certificate (Obligors)” means a certificate, in the form set out in Schedule 9 to the Loan Agreement (appropriately completed and with the legal opinion therein referred to attached), executed by the AMD Companies, and delivered to the Agent.

“Technical Completion Certificates” means the Technical Completion Certificate (Obligors) and the Technical Completion Certificate (Technical Advisor).

“Technical Completion Certificate (Technical Advisor)” means a certificate, in the form set out in Schedule 10 to the Loan Agreement (appropriately completed), executed by the Technical Advisor, and delivered to the Agent.

“Total Revolving Loan Commitment Amount” means \$750,000,000 (seven hundred and fifty million Dollars) or the “Euro Equivalent” (under, and as defined therein) thereof, or such reduced amount as shall have been agreed upon by each of the Sponsors, AMD Saxonia, the Agent, and the Banks.

“Total Tranche A Commitment Amount” means DM 1,500,000,000 (one billion five hundred million Deutsche Marks), as such amount shall be reduced by any reductions to (but not utilizations of) the commitments of the Banks under “Facility A” under the Loan Agreement.

“Tranche A Advances” means Advances made by the Banks or any Bank pursuant to “Facility A” under the Loan Agreement.

“Unmatured Event of Default” means an event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied) constitute an Event of Default.

“Wafer” has the meaning assigned to that term in the AMD Saxonia Wafer Purchase Agreement.

“Wafer Purchase Agreements” means, collectively, the AMD Saxonia Wafer Purchase Agreement and the AMD Holding Wafer Purchase Agreement.

SECTION 1.2 *Accounting and Financial Determinations*. Unless otherwise specified, all accounting terms used herein shall be interpreted, all accounting determinations and computations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with, GAAP. When used herein, the term “financial statements” shall include the notes and schedules thereto, but need not include such notes or schedules when used with reference to such statements of any Person as of any date other than the end of a Fiscal Year of such Person. In the determination of any periods pursuant to any provision hereof, unless otherwise specified, the term “from” means “from (and including)”, the term “to” means “to (and excluding)”, and the term “until” means “until (and excluding)”.

SECTION 1.3 *Construction*. In this Agreement, unless the context requires otherwise, any reference to:

“assets” includes any asset, property, or right and includes uncalled capital;

“including” or “includes” means including or includes without limitation;

“law” and/or “regulation” includes any constitutional provision, treaty, convention, statute, act, law, decree, ordinance, subsidiary or subordinate legislation, order, rule, or regulation having the force of law, and any rule of civil or common law or equity;

“order” includes any judgment, injunction, decree, determination, or award of any court, arbitration, or administrative tribunal;

“tax” includes any tax, levy, duty, charge, impost, fee, deduction, or withholding of any nature now or hereafter imposed, levied, collected, withheld, or assessed by any taxing or other authority and includes any interest, penalty, or other charge payable or claimed in respect thereof, and “taxation” shall be construed accordingly; and

“winding-up” includes any winding-up, liquidation, dissolution, or comparable process in any jurisdiction.

SECTION 1.4 *Miscellaneous*. In this Agreement, unless the context requires otherwise, any reference to an Operative Document or a Project Agreement (including, in each case, any reference thereto as being in the form set out in a Schedule to the Loan Agreement) shall be a reference to such Document or Agreement as it shall have been, or from time to time be, amended, varied, re-issued, replaced, novated or supplemented, in each case, in accordance with its terms and this Agreement. For the avoidance of doubt, any reference in this Agreement to stated capital (*Stammkapital*), capital reserves or any other similar term relating to the capital structure of a German limited liability company shall, following the Conversion Effective Date, be deemed to be a reference to the capital (*Haftsummen* and *Pflichteinlagen*) or capital reserves of a limited partnership under German law, save to the extent the context requires otherwise.

In this Agreement, unless the context requires otherwise, (i) any statutory provisions shall be construed as references to those provisions as amended, modified, re-enacted, or replaced from time to time; (ii) words importing a gender include every gender; (iii) references to Sections and Schedules are to Sections of and Schedules to this Agreement; and (iv) references to this Agreement include its Schedules. Section headings are inserted for reference only and shall be ignored in construing this Agreement. A time of day, unless otherwise specified, shall be construed as a reference to Frankfurt am Main time.

ARTICLE II

Contribution of Equity Capital

SECTION 2.1 *Undertaking to Contribute*. AMD Holding hereby undertakes to contribute to AMD Saxonia, and AMD Inc. hereby undertakes to cause AMD Holding to so contribute to AMD Saxonia (and AMD Inc. shall, to the extent necessary, contribute sufficient funds, or otherwise cause sufficient funds to be made available, to AMD Holding as shall be necessary to

enable AMD Holding to so contribute to AMD Saxonia), Equity Capital at the times and in the amounts set forth in Section 2.2. For the avoidance of doubt:

- (i) to the extent, but only to the extent, reflected in AMD Saxonia's financial statements referred to in § 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), 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;
- (ii) the obligations of the Sponsors contained in this Article II are in addition to, and not in limitation of, their respective obligations contained elsewhere in this Agreement and in the other Operative Documents;
- (iii) the Sponsors shall not be relieved of the foregoing obligations by virtue of:
 - (a) any Sponsors' Loan made by either Sponsor pursuant to this Agreement or the Sponsors' Loan Agreement or any Revolving Loan made by either Sponsor pursuant to this Agreement or the Revolving Loan Facility 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; or
 - (b) any payment made by either Sponsor under the Sponsors' Guaranty; and
- (iv) the amounts set forth in Section 2.2 below are minimum aggregate amounts of Equity Capital to be received by AMD Saxonia; nothing contained herein shall be deemed to preclude AMD Holding from making additional contributions to AMD Saxonia's stated capital or capital reserves in order to fulfil the obligations of the Sponsors contained in Article IV, V, or VI, or for any other reason.

SECTION 2.2 Time of Contribution. The Equity Capital to be contributed to AMD Saxonia under this Article II is due and payable to AMD Saxonia as follows:

- (i) one or more instalments aggregating DM 108,750,000 (one hundred eight million seven hundred fifty thousand Deutsche Marks) on or before the date of the initial Advance under the Loan Agreement; it being understood and agreed that, to the extent, but only to the extent, reflected in AMD Saxonia's financial statements referred to in § 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), all contributions to the Equity Capital of AMD Saxonia prior to Loan Agreement Effective Date shall be considered contributions to its Equity Capital for purposes of this Section 2.2(i); and
- (ii) in addition to the Equity Capital contributed or to be contributed pursuant to Section 2.2(i) hereof, one or more additional instalments aggregating DM

108,750,000 (one hundred eight million seven hundred fifty thousand Deutsche Marks) by the earlier to occur of:

(a) the acceleration of the Advances under the Loan Agreement following the occurrence of an Event of Default (it being understood and agreed that if, at the time of any such acceleration, the Primary Secured Obligations are less than the amount otherwise required to be contributed to AMD Saxonia under this Section 2.2(ii), such contribution shall be made in an amount which, when added to the aggregate amount of all Sponsors' Loans and/or other contributions to AMD Saxonia's Equity Capital or capital reserves then concurrently made, is equal to the Primary Secured Obligations at such time); and

(b) December 31 1997;

provided, however, that such Equity Capital shall be required to be contributed in whole or in part at any time prior to such dates if, but only to the extent that, the ratio of:

(x) the sum of

(1) the then aggregate outstanding principal amount of Sponsors' Loans,

plus

(2) the then aggregate amount of AMD Saxonia's Equity Capital and capital reserves,

to

(y) the then aggregate outstanding principal amount of the Advances,

is less than 25:75.

SECTION 2.3 *Form of Contribution*. The Equity Capital under this Article II shall be contributed in cash and in Same Day Funds to AMD Saxonia.

ARTICLE III Sponsors' Loans

SECTION 3.1 *Undertaking to Make Class A 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");

(iii) [left intentionally blank]

(iii) in an aggregate principal amount of \$70,000,000 (seventy million Dollars) as contemplated by Section 3.4 (the "Class C Sponsors' Loans").

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 (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 § 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 III;
- (iii) although the obligations of the Sponsors contained in this Article III are in addition to, and not in limitation of, their respective 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 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, 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) [left intentionally blank]
- (d) of any obligation to make Class A 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 3.5 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 3.2; 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' 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' 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 only if:
 - (a) the Sponsors shall have complied with each of their respective obligations under Article II and, insofar as such obligations 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
 - (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.

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- (viii) the amounts set forth in this Section 3.1 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, or VI, or for any other reason.

SECTION 3.2 *Time of Class A Sponsors' Loans*. The Class A Sponsors' Loans will be made in cash and in Same Day Funds and will be made as follows:

- (i) at least DM 145,000,000 (one hundred forty five million Deutsche Marks) for all such Class A Sponsors' Loans, the exact amount thereof being equal to the Deutsche Mark Equivalent of \$100,000,000 (one hundred million Dollars) for all such Class A Sponsors' Loans, by the earlier to occur of:
- (a) the acceleration of the Advances under the Loan Agreement following the occurrence of an Event of Default (it being understood and agreed that if, at the time of any such acceleration, the Primary Secured Obligations are less than the amount otherwise required to be lent to AMD Saxonia under this Section 3.2(i), the amount of such Class A Sponsors' Loans shall be an amount which, when added to the aggregate amount of all Sponsors' Loans and/or other contributions to AMD Saxonia's Equity Capital or capital reserves then concurrently made, is equal to the Primary Secured Obligations at such time); and
- (b) December 31, 1998; and
- (ii) at least a further DM 145,000,000 (one hundred forty five million Deutsche Marks) for all such Class A Sponsors' Loans, the exact amount thereof being equal to the Deutsche Mark Equivalent of \$100,000,000 (one hundred million Dollars) for all such Class A Sponsors' Loans, by the earlier to occur of:
- (a) the acceleration of the Advances under the Loan Agreement following the occurrence of an Event of Default (it being understood and agreed that if, at the time of any such acceleration, the Primary Secured Obligations are less than the amount otherwise required to be lent to AMD Saxonia under this Section 3.2(ii), the amount of such Class A Sponsors' Loans shall be an amount which, when added to the aggregate amount of all Sponsors' Loans and/or other contributions to AMD Saxonia's Equity Capital or capital reserves then concurrently made, is equal to the Primary Secured Obligations at such time); and
- (b) December 31, 1999;
- provided, however, that such Class A Sponsors' Loans shall be required to be made in whole or in part at any time prior to the aforesaid dates if, but only to the extent that, the ratio of:
- (x) the sum of

-
- (1) the then aggregate outstanding principal amount of Sponsors' Loans,
plus
- (2) the then aggregate amount of AMD Saxonia's Equity Capital and capital reserves,
to
- (y) the then aggregate outstanding principal amount of the Advances under the Loan Agreement,

is less than 25:75.

SECTION 3.3 [left intentionally blank]

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 in full, pursuant to Section 4.07 of the AMD Inc. Senior Secured Note Indenture (prior to giving effect to the Third Supplemental Indenture dated as of July 28, 2000), without utilizing any of the provisions contained in the first proviso to Section 4.07(iv) thereof, by the Contribution Date at the latest.

SECTION 3.5 *Additional Sponsors' Loans*. In addition to the Class A 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 subordinated as a Junior Liability (under, and as defined in, the Sponsors' Subordination Agreement); and
- (ii) shall not relieve the Sponsors from any obligation to make Class A Sponsors' Loans or Class C Sponsors' Loans in accordance with Sections 3.2, and 3.4 above respectively.

SECTION 3.6 *Terms of Sponsors' Loans*. The making of Sponsors' Loans will be made on the terms, and shall be subject to the conditions, contained in the Sponsors' Loan Agreement which, as provided in Section 3.1, is intended to reflect, rather than to be in addition to, the obligations of the Sponsors contained in this Article III.

SECTION 3.7 *Undertaking to Make Revolving Loans/Terms of Revolving Loans*. The Sponsors hereby jointly and severally undertake that either Sponsor or both Sponsors will make available to AMD Saxonia an unsecured, subordinated revolving loan facility in an aggregate principal amount of \$750,000,000 (seven hundred fifty million Dollars) with a term of no earlier

than 31 March, 2007 and bearing interest at a rate per annum of 4%, on and subject to the terms and conditions contained in the Revolving Loan Facility Agreement, which is intended to reflect, rather than to be in addition to, the obligations of the Sponsors contained in this Article III, to the extent applicable to Revolving Loans.

SECTION 3.8 *Time of Revolving Loans*. Revolving Loans will be made in cash and in Same Day Funds:

- (i) in such amounts as shall be required from time to time to ensure that as from 1 July 2001, the Minimum Liquidity Covenant is complied with at all times and, in any event, upon first written demand by the Security Agent at any time and from time to time immediately following a Minimum Liquidity Covenant Calculation Date in such amounts as may be necessary to remedy any shortfall in the Minimum Liquidity Covenant at any time and from time to time; and
- (ii) in such amounts as shall be required from time to time and, in any event, upon the first written demand of AMD Saxonia at any time and from time to time to finance AMD Saxonia's general corporate funding requirements, including working capital, cash expenses and other capital requirements of AMD Saxonia.

The Sponsors shall be relieved of their respective obligations to make Revolving Loans available to AMD Saxonia if, but only if:

- (x) the Sponsors shall have complied with each of their respective obligations under Article II and, insofar as such obligations 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
- (y) following a demand for payment by the Agent under the Sponsors' Guaranty, the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty.

In addition to the Revolving Loans contemplated to be made under Section 3.7, the Sponsors (or either of them) may, from time to time, at their option make additional Revolving Loans in order to fulfil their respective obligations contained herein or otherwise to provide additional funds to AMD Saxonia, it being expressly understood and agreed that any such Revolving Loans shall be optional rather than compulsory, and that in no event shall the Sponsors (or either of them) be obligated to advance Revolving Loans such that the total amount of outstanding Revolving Loans would exceed the Total Revolving Loan Commitment Amount.

SECTION 3.9 *Subordination of Sponsors' Loans and Revolving Loans*. The Sponsors' Loans and the Revolving Loans will be subordinated on the terms and conditions contained in the Sponsors' Subordination Agreement.

ARTICLE IV Project Costs

SECTION 4.1 *Project Costs*. In addition to, and not in limitation of, their other obligations contained in this Agreement and the other Operative Documents, the Sponsors, jointly and

severally, hereby undertake to provide AMD Saxonia with Same Day Funds (whether, in the case of AMD Holding, by contribution to AMD Saxonia's Equity Capital (or other contributions to AMD Saxonia's capital reserves), or, in the case of either Sponsor, through Sponsors' Loans or Revolving Loans) sufficient to cover all Project Costs (after taking into account the Available Tranche A Amount). The Sponsors shall be relieved of any further obligations under this Article IV if, but only if:

- (i) the Sponsors shall have complied with each of their respective obligations under Article II and, insofar as such obligations relate to Class A Sponsors' Loans (or additional contributions to Equity Capital or AMD Saxonia's capital reserves in lieu thereof), Article III; and
- (ii) following a demand by the Agent for payment under the Sponsors' Guaranty, the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty.

SECTION 4.2 [left intentionally blank]

SECTION 4.3 *Form of Contribution*. The Sponsors may comply with their respective obligations under this Article IV by making:

- (i) in the case of either Sponsor, Revolving Loans pursuant to the terms and conditions of the Revolving Loan Facility Agreement; and/or
- (ii) in the case of AMD Holding, a cash increase in the Equity Capital (or other contributions to AMD Saxonia's capital reserves) of AMD Saxonia; and/or
- (iii) in the case of either Sponsor, further Sponsors' Loans to AMD Saxonia.

SECTION 4.4 *No Double Recovery under Revolving Loan Facility Agreement and Sponsors' Guaranty*. If, during the continuance of an Event of Default (unless such Event of Default is subsequently cured or waived with the concurrence of the Agent or the Security Agent, AMD Inc., and AMD Saxonia), and following the exercise of rights by the Agent or the Security Agent under either the AMD Holding Share Pledge Agreement, the AMD Inc. Share Pledge Agreement, the AMD Saxonia Assignment (U.S.A.), the AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC, the AMD Holding Share Pledge Agreement (AMD Admin), the AMD Saxony LLC Partnership Interest Pledge Agreement (AMD Saxonia), the AMD Holding KG Partnership Interest Pledge Agreement (AMD Saxonia) or the AMD Admin Partnership Interest Pledge Agreement (AMD Saxonia), the Agent seeks to make borrowings under, or to cause such borrowings to be made under, the Revolving Loan Facility Agreement, the Agent's right to make such borrowings or to cause such borrowings to be made, shall be limited *mutatis mutandis* to the amount set forth in Section 2.1 of the Sponsors' Guaranty and any such borrowings (to the extent paid to AMD Saxonia and not subsequently repaid to AMD Inc. or its successor in interest) shall, *pro tanto*, reduce the amount available to be recovered from the Sponsors under the Sponsors' Guaranty.

ARTICLE V
Completion Guaranty

SECTION 5.1 *Completion Guaranty*. The Sponsors (jointly and severally), hereby agree to cause AMD Saxonia:

- (i) to complete each Project Phase as soon as contemplated by the Approved Project Schedule (it being understood and agreed that the completion date for one or more Project Phases (other than the final Project Phase) may be deferred for up to six (6) months in the aggregate for all such deferrals on a cumulative basis provided that no such deferral may affect the final deadline for Completion);
- (ii) to achieve Completion as soon as contemplated by the Approved Project Schedule and, in any event, on or before 31 December 2000; and
- (iii) to take all such action, including, without limitation, all actions before Governmental Authorities, as shall be necessary or appropriate to enable AMD Saxonia to complete each Project Phase and to achieve Completion as aforesaid.

For the avoidance of doubt, the obligations of the Sponsors contained in this Article V are in addition to, and not in limitation of, their respective obligations contained elsewhere in this Agreement and in the other Operative Documents; provided, however, that the Sponsors shall be relieved of their respective obligations under this Article V if, but only if:

- (i) the Sponsors shall have complied with each of their respective obligations under Article II and, insofar as such obligations relate to Class A Sponsors' Loans (or additional contributions to Equity Capital or AMD Saxonia's capital reserves in lieu thereof), Article III and
- (ii) following a demand for payment by the Agent under the Sponsors' Guaranty, the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty.

SECTION 5.2 *Notice of Scheduled Project Phase Technical Completion and Completion*. Upon the occurrence of each of the following, the Agent shall promptly advise the Sponsors, AMD Saxonia, and the Banks thereof:

- (i) Scheduled Project Phase Technical Completion for each Project Phase, and
- (ii) Completion.

SECTION 5.3 *No Double Recovery Under Article V and Sponsors' Guaranty*. In the event that the Sponsors default in the payment and performance of their obligations under this Article V and, following any such default, the Agent institutes litigation or other adversary proceedings designed to compel the Sponsors to perform such obligations or to pay damages for such failure, the right of recovery against the Sponsors under this Article V is limited mutatis mutandis to the amount set forth in Section 2.1 of the Sponsors' Guaranty and any recovery by the Agent from the Sponsors hereunder shall, prot anto, reduce the amount available to be recovered from the Sponsors under the Sponsors' Guaranty.

For the avoidance of doubt, the obligations of the Sponsors under this Section 5.1 constitute a primary guarantee obligation (*Garantievertrag*) and not a surety guarantee (*Bürgschaft*).

ARTICLE VI
Subsidies Undertaking

SECTION 6.1 *Subsidies*. The Project will be supported by the following subsidies and grants from the Free State of Saxony (hereinafter, the “Subsidies”):

- (i) a dedicated purpose investment grant in an aggregate amount of DM 476,687,000 (four hundred seventy six million six hundred eighty seven thousand Deutsche Marks) which, together with the investment subsidies in an aggregate amount of DM 23,813,000 (twenty three million eight hundred thirteen thousand Deutsche Marks), totals an aggregate amount of DM 500,500,000 (five hundred million five hundred thousand Deutsche Marks); and
- (ii) a dedicated purpose interest subsidy in an amount of DM 300,000,000 (three hundred million Deutsche Marks),

which, in each case, will be paid to AMD Saxonia by Dresdner Bank AG in Dresden, in its capacity as house bank.

SECTION 6.2 *Payment of Shortfall*. The granting of the Subsidies is contingent on the adherence by the Sponsors and AMD Saxonia to particular conditions, requirements, and covenants. If, for any reason whatsoever, any AMD Company or any Affiliate of any AMD Company breaches any such conditions, requirements, or covenants, and, accordingly, causes the Subsidies not to be paid or, as a result of any such breach, the Subsidies are required to be repaid (in either such case the amount thereof being hereinafter called a “Shortfall”), then, without delay following its or their receipt of a demand therefor by the Agent, either:

- (i) AMD Holding shall contribute Equity Capital (or other contributions to AMD Saxonia’s capital reserves) to AMD Saxonia, and AMD Inc. shall cause AMD Holding to so contribute to AMD Saxonia (and AMD Inc. shall, to the extent necessary, contribute sufficient funds, or otherwise cause sufficient funds to be made available, to AMD Holding as shall be necessary to enable AMD Holding to so contribute to AMD Saxonia); and/or
- (ii) one or both Sponsors shall make Sponsors’ Loans to AMD Saxonia,

in either case in an aggregate amount (and, if the Subsidies have not yet been provided, as and when the Subsidies, but for such breach, would have otherwise been provided) equal to the Shortfall.

For the avoidance of doubt:

- (i) the obligations of the Sponsors contained in this Article VI are in addition to, and not in limitation of, their obligations contained elsewhere in this Agreement and in the other Operative Documents, and shall survive Completion; and

(ii) the Sponsors shall not be relieved of the foregoing obligations by virtue of:

- (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 and the Class C Sponsors' Loan in an amount of \$ 70,000,000 made by AMD Inc. to AMD Saxonia on 30 June 1999 and referred to in Section 3.4 above;
- (b) any prior contributions of Equity Capital (or other contributions to AMD Saxonia's capital reserves) by AMD Holding;
- (c) any prior Revolving Loans made by the Sponsors (or either of them); or
- (d) any payment made by either Sponsor under the Sponsors' Guaranty;

provided, however, that the Sponsors shall have no liability as aforesaid in respect of any Subsidiaries which fail to be provided at any time after the foreclosure by the Security Agent upon any security provided by the Security Documents, unless such failure is attributable to any such breach by AMD Inc. or any of its Affiliates (other than AMD Saxonia or AMD Holding, if then Affiliates of AMD Inc.) occurring after such foreclosure.

SECTION 6.3 Bridging of AMD Saxonia's Receipt of the Subsidiaries.

- (a) It is understood and agreed that the Sponsors (jointly and severally) will, in the case of AMD Holding, contribute Equity Capital (or other contributions to AMD Saxonia's capital reserves), or, in the case of either Sponsor, make Sponsors' Loans, to AMD Saxonia, in either case as and to the extent that AMD Saxonia requires such funds prior to and in anticipation of its receipt of the Subsidiaries. If any such contribution or Sponsors' Loan is made for such purpose prior to AMD Saxonia's receipt of the Subsidiaries (or any portion thereof) then, to the extent that AMD Saxonia subsequently receives the proceeds of such Subsidiaries, and provided that no Event of Default, Unmatured Event of Default or Event of Termination shall have occurred and be continuing, AMD Saxonia shall, to the extent permitted by applicable law, repay Sponsors' Loans to the extent of the aggregate amount of the proceeds of the Subsidy so received, but without interest.
- (b) The Sponsors' obligations to make contributions or loans under Section 6.3 (a) shall terminate from the date of any foreclosure over the shares of AMD Holding, the membership interests of AMD Saxony LLC, the shares in AMD Admin or over the partnership interests in AMD Saxonia under the Security Documents.

ARTICLE VII
Pari Passu Undertaking

SECTION 7.1 [left intentionally blank]

ARTICLE VIII
Security Documents

SECTION 8.1 *AMD Inc. Share Pledge Agreement and AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC.* AMD Inc. has granted a first priority security interest in the AMD Inc. Security pursuant to and on the terms and conditions set forth in the AMD Inc. Share Pledge Agreement and the AMD Inc. Pledge Agreement Over Membership Interests in AMD Saxony LLC.

SECTION 8.2 *AMD Holding Security Documents.* AMD Holding has granted a first priority security interest in the AMD Holding Security pursuant to and on the terms and conditions set forth in the AMD Holding Security Documents.

SECTION 8.3 *AMD Saxony LLC Security Documents.* AMD Saxony LLC has granted a first priority security interest in the AMD Saxony LLC Security pursuant to and on the terms and conditions set forth in the AMD Saxony LLC Security Documents.

SECTION 8.4 *AMD Admin Security Documents.* AMD Admin has granted a first priority security interest in the AMD Admin Security pursuant to and on the terms and conditions set forth in the AMD Admin Security Documents.

ARTICLE IX
Sponsors' Guaranty

SECTION 9.1 *Sponsors' Guaranty.* Without intending to derogate from the provisions of the Sponsors' Guaranty (and, in the event of any inconsistency with thisSection 9.1, the Sponsors' Guaranty shall prevail), the Sponsors (jointly and severally), have agreed to guarantee, on the terms and subject to the conditions of the Sponsors' Guaranty, the full and prompt payment when due, whether by acceleration or otherwise, of all Secured Obligations of AMD Saxonia to the Secured Parties under or in connection with the Financing Documents and the Security Documents;~~provided, however,~~ that as provided in the Sponsors' Guaranty, the cumulative right of recovery against the Sponsors with respect to the Sponsors' Guaranty is limited to an amount equal to whichever is the greater of:

(x) fifty percent (50%) of the aggregate amount of all Guaranteed obligations (as defined in the Sponsors' Guaranty); and

(y) Euro 111,205,984 (one hundred and eleven million two hundred and five thousand nine hundred and eighty four Euro);

plus (as and to the extent provided in the Sponsors' Guaranty) interest on such amount, if not paid when due, and plus costs and expenses of enforcement provided, that the maximum aggregate amount payable by the Sponsors pursuant to the Sponsors' Guaranty shall be Euro

300,000,000. In furtherance of the foregoing, the Sponsors have undertaken, pursuant to the terms of the Sponsors' Guaranty, to pay to the Agent, upon first written demand following the occurrence of an Event of Default and acceleration of the Advances an amount equal to whichever is the greater of:

- (i) fifty percent (50%) of the aggregate amount of all Guaranteed Obligations (as defined in the Sponsors' Guaranty); and
- (ii) Euro 111,205,984 (one hundred and eleven million two hundred and five thousand nine hundred and eighty four Euro);

plus (as and to the extent provided in the Sponsors' Guaranty) interest on such amount, if not paid when due, and plus costs and expenses of enforcement provided, that the maximum aggregate amount payable by the Sponsors pursuant to the Sponsors' Guaranty shall be Euro 300,000,000 (three hundred million Euro).

For the avoidance of doubt, the obligations of the Sponsors under the Sponsors' Guaranty:

- (i) constitute a primary guarantee obligation (*Garantievertrag*) and not a surety guarantee (*Bürgschaft*), and are in addition to, and not in limitation of, the other obligations of the Sponsors hereunder and under the other Operative Documents; and
- (ii) are continuing obligations and shall remain in full force and effect until whichever is the earlier of (1) satisfaction in full of all Secured Obligations and (2) payment in full by either Sponsor of all amounts payable under the Sponsors' Guaranty.

ARTICLE X

Sponsors' Subordination Agreement; AMD Inc. Subordination Agreement

SECTION 10.1 *Sponsors' Subordination Agreement*. The Sponsors and the Additional Partner Companies hereby agree to subordinate the payment of the Junior Liabilities (under, and as defined in, the Sponsors' Subordination Agreement) to the payment in full of all Senior Liabilities (under, and as defined in, the Sponsors' Subordination Agreement), on the terms and subject to the conditions of the Sponsors' Subordination Agreement.

SECTION 10.2 *AMD Inc. Subordination Agreement*. AMD Inc. hereby agrees to subordinate the payment of the Junior Liabilities (under, and as defined in, the AMD Inc. Subordination Agreement) to the payment in full of all Senior Liabilities (under, and as defined in, the AMD Inc. Subordination Agreement), on the terms and subject to the conditions of the AMD Inc. Subordination Agreement.

ARTICLE XI

Obligations Unconditional

SECTION 11.1 *Absolute and Unconditional Nature of Obligations*. The obligation of the Sponsors and the Additional Partner Companies to perform their respective obligations under this Agreement, and the right of AMD Saxonia or the Agent or the Security Agent, as applicable,

to receive the proceeds of each payment to be made to or for the account of AMD Saxonia as provided herein and in each of the other Operative Documents, shall be absolute, irrevocable, and unconditional, it being the intention of the parties hereto that all obligations of the Sponsors and the Additional Partner Companies under or in connection with this Agreement shall be paid and performed in all events in the manner and at the times herein provided, irrespective of and without prejudice to, in particular, any rights or remedies that are available to the other parties hereto and thereto under any agreements or any applicable laws. The Sponsors and the Additional Partner Companies shall be entitled to setoff, and to raise rights of retention, in respect of their respective payment claims hereunder and under the other Operative Documents only to the extent their respective counterclaims are undisputed or have been the subject of a final binding arbitral or court decision.

ARTICLE XII
Representations and Warranties

SECTION 12.1 *Representations and Warranties of AMD Inc.* AMD Inc. hereby represents and warrants to the Agent and the Security Agent as follows:

(i) *Organization; Corporate Power.*

AMD Inc. and each Material AMD Inc. Subsidiary:

- (a) is a corporation, limited partnership or limited liability company, as the case may be, duly organized, validly existing, and (where the concept has a technical meaning) in good standing under the laws of the jurisdiction of its incorporation;
- (b) is duly qualified or licensed and (where the concept has a technical meaning) in good standing as a foreign corporation authorized to do business in each other jurisdiction where, because of the nature of its activities or properties in such jurisdiction, such qualification or licensing is required,
- (c) has all requisite corporate power and authority to own, operate, and lease its assets and properties and to carry on the business in which it is engaged and in which it proposes to engage;
- (d) that is an AMD Company, has all requisite corporate power and authority:
 - (x) to execute, deliver, and perform its obligations under each of the Operative Documents to which it is a party; and
 - (y) to assign, and grant a security interest in, the Security in the manner and for the purpose contemplated by the Security Documents to which it is a party; and
- (e) is in compliance with all Requirements of Law

except, in each case referred to in clause (b),(c), or(e), to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(ii) *Corporate Authority; No Conflict.*

The execution, delivery, and performance by each AMD Company of each Operative Document to which any such AMD Company is a party, and the grant by such AMD Company of a security interest in the Security in the manner and for the purpose contemplated by the Security Documents to which such AMD Company is a party, have been duly authorised by all necessary corporate action (including any necessary shareholder action) on the part of such AMD Company, and do not:

- (a) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award presently in effect binding on such AMD Company, or of the Organizational Documents of such AMD Company;
- (b) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument, to which such AMD Company is a party or by which such AMD Company or its properties are bound; or
- (c) result in, or require (in either case except as contemplated by the Operative Documents), 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 any of the AMD Companies (other than any right of set-off or banker's lien or attachment that the Agent, the Security Agent, or any Bank may have under the Operative Documents or applicable law), and none of the AMD Companies is in default under or in violation of its Organizational Documents, any of the Operative Documents to which it is a party, or any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, award, indenture, agreement, or instrument, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(iii) *Valid and Binding Obligations.*

Each Operative Document which has been executed and delivered by an AMD Company constitutes the legal, valid, and binding obligation of such AMD Company, enforceable against such AMD Company in accordance with its respective terms, subject, however, to the Opinion Reservations.

(iv) *Sponsor Security Documents.*

- (a) The provisions of each of the Security Documents which has been executed and delivered by a Sponsor are effective to create in favor of the Security Agent for the benefit of the Secured Parties, a legal, valid, and enforceable first priority Encumbrance on all rights, title, and interest of such Sponsor in the Security described therein, subject only to Permitted Encumbrances; and all necessary filings and recordings have been made in the requisite offices in all of the jurisdictions necessary or appropriate to perfect or continue perfected with such priority such Encumbrance on such Security.
- (b) Each Security Document which has been executed and delivered by a Sponsor is effective to grant to the Security Agent a legal, valid, and enforceable security interest on all rights, title, and interest of the relevant Sponsor in the Security described therein. When each such Security Document is duly recorded or filed in the applicable recording or filing office(s), if any, and the recording or filing fees and taxes, if any, in respect thereof are paid and compliance is otherwise had with the formal requirements of applicable law applicable to the recording and filing of security documentation generally, such Security is subject to a legal, valid, enforceable, and perfected first priority Encumbrance.

(v) *Financial Information; No Material Adverse Change.*

- (a) The audited consolidated balance sheet of AMD Inc. and its Subsidiaries dated December 31, 1995, the unaudited consolidated balance sheet of AMD Inc. and its Subsidiaries for the Fiscal Quarter ending on or about December 30, 1996, and in each case the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal period ended on such dates:
 - (x) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, subject to ordinary, good faith year-end audit adjustments, in the case of quarterly financial statements;
 - (y) are complete and accurate in all material respects and fairly present the consolidated financial condition of AMD Inc. and its Subsidiaries as of the dates thereof and results of operations and cash flows for the periods covered thereby; and
 - (z) except as specifically disclosed in the Disclosure Schedules, show all material indebtedness and other liabilities, direct or contingent, of AMD Inc. and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments, and Contingent Liabilities.

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- (b) Since December 31, 1995, there has been no Material Adverse Effect, except as may be specifically disclosed in the Disclosure Schedules.
- (c) From July 13, 1999 to and including the date of the Fifth Amendment to Sponsors' Support Agreement, there has been no "Enhanced Covenant Period" (under, and as defined in the AMD Inc. 1999 Loan and Security Agreement) in effect.

(vi) *Litigation.*

Except as specifically disclosed in the Disclosure Schedules, there are no actions, suits, proceedings, claims, or disputes pending, or to the best knowledge of AMD Inc., threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against any AMD Company or any other Subsidiary of AMD Inc. or any of their respective properties which:

- (a) purport to affect or pertain to this Agreement or any other Operative Document, or the entirety of the transactions contemplated hereby or thereby; or
- (b) if determined adversely to such AMD Company or such other Subsidiary, would reasonably be expected to have a Material Adverse Effect.

No injunction, writ, temporary restraining order, or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery, or performance of this Agreement or any other Operative Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

(vii) *No Default or Termination.*

No Event of Default or Unmatured Event of Default, and, to the best of AMD Inc.'s knowledge, no Event of Termination, exists. None of the AMD Companies nor any other Subsidiary of AMD Inc. is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

(viii) *No Burdensome Restrictions.*

None of the AMD Companies nor any other Subsidiary of AMD Inc. is a party to or bound by any Contractual Obligation other than the Operative Documents, or subject to any restriction in any Organizational Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

(ix) *Title to Properties; Encumbrances.*

Each AMD Company and each other Material AMD Inc. Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in (or the

equivalent for the relevant jurisdiction), all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of each AMD Company and each other Material AMD Inc. Subsidiary is subject to no Encumbrances, other than Permitted Encumbrances.

(x) *Subsidiaries; Material AMD Inc. Subsidiaries.*

- (a) As of the Loan Agreement Effective Date, AMD Inc. has no Subsidiaries other than those specifically disclosed in the Disclosure Schedules and has no equity investments in any other Person other than those specifically disclosed in the Disclosure Schedules;
- (b) As of the Loan Agreement Effective Date, there are no Material AMD Inc. Subsidiaries other than those specifically disclosed in the Disclosure Schedules;
- (c) AMD Inc. is the direct legal and beneficial owner of 100% of the issued and outstanding shares of capital stock of AMD Holding, all of which shares have been validly issued;
- (d) AMD Inc. is the direct legal and beneficial owner of 100% of the membership interests of AMD Saxony LLC;
- (e) AMD Holding is the direct legal and beneficial owner of 100% of the issued and outstanding shares of capital stock of MD Admin, all of which shares have been validly issued;
- (f) 100% of the capital partnership interests (*Kapitalanteile*) in AMD Saxonia are held by AMD Admin (as to Euro 250), AMD Holding (as to at least 99.99% (rounded to two decimal points) and AMD Saxony LLC (prior to a Substitution (if any)) (as to Euro 250 prior to its re-transfer of a fractional interest pursuant to the Conversion Documents, and as to 0% following such re-transfer), each of which holds no investment in any other person (except that AMD Admin is a wholly-owned subsidiary of AMD Holding). AMD Holding and AMD Saxony LLC are, in turn, wholly-owned subsidiaries of AMD Inc.;
- (g) AMD Holding has no Subsidiaries other than AMD Saxonia and AMD Admin, and has no equity investments in any other Person;
- (h) AMD Saxony LLC has no equity investments or interests in any other Person other than its general partnership interest in AMD Saxonia;
- (i) AMD Admin has no Subsidiaries and, other than its Euro 250 partnership interest in AMD Saxonia, has no equity investments in any Person; and

(j) AMD Saxonia has no Subsidiaries and has no equity investments in any other Person.

(xi) *Insurance.*

Except as specifically disclosed in the Disclosure Schedules, properties of each Sponsor and each "Restricted Subsidiary" (under, and as defined in, the AMD Inc. 1999 Loan and Security Agreement) are insured with financially sound and reputable insurance companies not Affiliates of AMD Inc., in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Sponsor or such "Restricted Subsidiary" (as so defined) operates.

(xii) *Copyrights, Patents, Trademarks and Licenses, Etc.*

Each AMD Company and each other Material AMD Inc. Subsidiary owns or is licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations, and other rights that are reasonably necessary for the operation of its respective businesses, without conflict with the rights of any other Person, except for such conflicts which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as specifically disclosed in the Disclosure Schedules, to the best knowledge of AMD Inc.:

- (a) no slogan or other advertising device, product, process, method, substance, part, or other material now employed, or now contemplated to be employed, by any AMD Company or any other Subsidiary of AMD Inc. infringes upon any rights held by any other Person;
- (b) no claim or litigation regarding any of the foregoing is pending or, to the best knowledge of AMD Inc., threatened; and
- (c) no patent, invention, device, application, principle, or any statute, law, rule, regulation, standard, or code is pending or, to the best knowledge of AMD Inc., proposed,

which, in any case described in (a), (b), or (c) above, could reasonably be expected to have a Material Adverse Effect.

(xiii) *Taxes.*

Each Sponsor and each "Restricted Subsidiary" (under, and as defined in, the AMD Inc. 1999 Loan and Security Agreement) have filed all material US Federal, German, and other tax returns and reports required to be filed, and have paid all material US Federal, German, and other taxes, assessments, fees, and other governmental charges levied or imposed upon them or their properties, income, or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been

provided in accordance with GAAP. There is no proposed tax assessment against either Sponsor or any "Restricted Subsidiary" (as so defined) that would, if made, have a Material Adverse Effect.

(xiv) *Governmental Approvals with Respect to the Operative Documents.*

As of the date this representation and warranty is made or reaffirmed, as the case may be, all Governmental Approvals (including, without limitation, from the United States of America, the European Union, the Federal Republic of Germany, and the Free State of Saxony) necessary for the due authorization, execution, delivery, and performance by each of the AMD Companies of, the legality or validity of the obligations of each of the AMD Companies under, or the enforceability against each of the AMD Companies of, each of the Operative Documents to which it is a party and the due and timely payment by each of the AMD Companies of amounts owing under each of the Operative Documents have been listed on Schedule 20 to the Loan Agreement and, except as otherwise noted therein, all of such Governmental Approvals have been duly obtained or effected, and are in full force and effect, on the Conversion Effective Date.

(xv) *Governmental Approvals with Respect to the Plant and the Design Center.*

As at the date this representation and warranty is made or reaffirmed, as the case may be, all Governmental Approvals necessary for the construction, ownership, use, and operation by AMD Saxonia of the Plant and the Design Center or which are required in order that the Plant and the Design Center may be operated for their intended purposes and Perform in Accordance with the Plans and Specifications, have been listed on Schedule 20 to the Loan Agreement, and all of such Governmental Approvals (except those listed in Part B of Schedule 20 to the Loan Agreement) have been duly obtained or effected, are sufficient for all purposes thereof, and are in full force and effect on such date (and, in the case of Government Approvals that have expired, each AMD Company has timely applied for renewal thereof and such Governmental Approvals have been administratively extended under applicable law); and AMD Inc. reasonably believes, after due inquiry, that the Governmental Approvals set forth in Schedule 20 to the Loan Agreement, together with all Governmental Approvals, if any, that may be required in connection with the transactions contemplated by the Operative Documents subsequent to the date on which this representation and warranty is made or reaffirmed, as the case may be, will be obtained at such time or times as may be necessary to avoid material delay in, or material restrictions on the use or operation of, the Plant and the Design Center.

(xvi) *Interruption of Business.*

Neither the business nor the properties of an AMD Company are presently affected by any fire, explosion, accident, strike, lockout, or other dispute, drought, storm, hail, earthquake, embargo, Act of God, or of the public enemy, or other casualty (whether or not covered by insurance) which impairs, or, if such event or

condition were to continue for more than thirty (30) additional days would be likely to impair, such AMD Company's ability to perform its obligations under the Operative Documents.

(xvii) *Prior Activities, etc.*

Prior to the Loan Agreement Effective Date, neither AMD Holding nor AMD Saxonia has engaged in any business, conducted any operations or activities, nor incurred any obligations or liabilities (contingent or otherwise), other than (a) as described in the Disclosure Schedules, and (b) its obligations, if any, under the Operative Documents, and activities reasonably incidental thereto. Prior to the Conversion Effective Date, neither AMD Saxony LLC nor AMD Admin has engaged in any business, conducted any operations or activities, nor incurred any obligations or liabilities (contingent or otherwise), other than its obligations, if any, under the Operative Documents, and activities reasonably incidental thereto.

(xviii) *Status of AMD Holding, AMD Saxony LLC, AMD Admin, and AMD Saxonia, etc.*

- (a) AMD Holding is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement;
- (b) AMD Saxony LLC is not a "Restricted Subsidiary" under, and for purposes of, the AMD Inc. 1999 Loan and Security Agreement;
- (c) AMD Admin is not a "Restricted Subsidiary" under, and for purposes of, the AMD Inc. 1999 Loan and Security Agreement; and
- (d) AMD Saxonia is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement.

(xix) *Accuracy of Information.*

As of the date this representation and warranty is made or reaffirmed, as the case may be, all factual information then or theretofore furnished by or on behalf of any AMD Company to the Agent or any Bank or the Technical Advisor for purposes of or in connection with any Operative Document or any transaction contemplated thereby (including the Information Memorandum, true and complete copies of which were furnished to the Agent in connection with the execution and delivery of this Agreement) is true and accurate (taken as a whole) in all material respects on the date as of which such information is dated or certified, and on such date such information (taken as a whole) was not incomplete by omitting to state any material fact necessary to make such information not misleading. Insofar as any such information includes assumptions, estimates, or projections, such assumptions, estimates, or projections have been made in good faith, with due care, and with a diligent application of engineering, construction, and accounting expertise reasonably available within AMD Inc. and its Subsidiaries (it being understood that although any projections and forecasts furnished by an AMD Company represent such AMD Company's

best estimates and assumptions as to future performance, which such AMD Company believes to be fair and reasonable as of the time made in the light of current and reasonably foreseeable business conditions, such projections and forecasts as to future events are not to be viewed as facts and that actual results during the period or periods covered thereby may differ from the projected or forecasted results). Without limiting the generality of the foregoing, as of the Loan Agreement Effective Date, no new information has become available which was not provided to the Technical Advisor prior to the Loan Agreement Effective Date and which, had it been so provided, could reasonably be expected to have caused the Technical Advisor to express an unfavourable opinion with respect to the Project in the Technical Advisor's Report.

(xx) *Warranties of AMD Saxonia, AMD Saxony LLC, AMD Admin and AMD Holding.*

Each of the representations and warranties made by AMD Saxonia, AMD Saxony LLC, AMD Admin, or AMD Holding in any Operative Document to which it is a party (other than the representation and warranty of AMD Holding contained in Section 12.2(xi) and the representation and warranty of AMD Saxonia contained in § 15.1.10 of the Loan Agreement) is true and accurate in all material respects on each Sponsors' Warranty Date, except to the extent that any such representation or warranty expressly relates solely to an earlier date, and except, in the case of any representation or warranty made on a Sponsors' Warranty Date described in clause (vi) of the definition thereof, as otherwise provided in the certificate referred to therein.

SECTION 12.2 *Representations and Warranties of the Sponsors.* The Sponsors, jointly and severally, hereby represent and warrant to the Agent and the Security Agent as follows (save in respect of Section 12.2 (xi) which is warranted only by AMD Holding):

(i) *Organisation; Corporate Power.*

- (a) Each of AMD Holding and AMD Admin is a *Gesellschaft mit beschränkter Haftung* duly organised and existing under the laws of the Federal Republic of Germany and registered in Dresden, Germany and AMD Saxonia is a Limited Partnership duly organised and existing under the laws of the Federal Republic of Germany;
- (b) AMD Saxony LLC is a limited liability company duly organized and existing under the laws of the State of Delaware, United States of America;
- (c) 100% of the capital partnership interests (*Kapitalanteile*) in AMD Saxonia are held by AMD Admin (as to Euro 250), AMD Holding (as to at least 99.99% (rounded to two decimal points) and AMD Saxony LLC (prior to a Substitution (if any)) (as to Euro 250 prior to its re-transfer of a fractional interest pursuant to the Conversion Documents, and as to 0% following such re-transfer), each of which holds no investment in any

other person (except that AMD Admin is a wholly-owned subsidiary of AMD Holding). AMD Holding and AMD Saxony LLC are, in turn, wholly-owned subsidiaries of AMD Inc.;

- (d) Each of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia:
- (1) is duly qualified or licensed as a foreign corporation authorised to do business in each other jurisdiction where, because of the nature of its activities or properties in such jurisdiction, such qualification or licensing is required,
 - (2) has all requisite corporate power and authority to own, operate, and lease its assets and properties and to carry on the business in which it is engaged and in which it proposes to engage;
 - (3) has all requisite corporate power and authority
 - (x) to execute, deliver, and perform its obligations under each of the Operative Documents to which it is a party; and
 - (y) to assign, and grant a security interest in, the Security in the manner and for the purpose contemplated by the Security Documents to which it is or is to be a party; and
 - (4) is in compliance with all Requirements of Law,

except, in each case referred to in clause (1), (2), or (4), to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(ii) *Corporate Authority; No Conflict.*

The execution, delivery, and performance by each of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia of each Operative Document to which any such AMD Company is a party, and the grant by each such AMD Company of a security interest in the Security in the manner and for the purpose contemplated by the Security Documents to which such AMD Company is a party, have been duly authorised by all necessary corporate action (including any necessary shareholder action) on the part of such AMD Company, and do not:

- (a) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination, or award presently in effect binding on such AMD Company, or of the Organizational Documents of such AMD Company;
- (b) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced or secured by, or constitute a default under, any

indenture or loan or credit agreement, or any other agreement or instrument, to which such AMD Company is a party or by which such AMD Company or its properties are bound; or

- (c) result in, or require (in each case except as contemplated by the Operative Documents), 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 either of such AMD Companies (other than any right of set-off or banker's lien or attachment that the Agent, the Security Agent, or any Bank may have under the Operative Documents or applicable law), and neither of such AMD Companies is in default under or in violation of its Organizational Documents, any of the Operative Documents to which it is a party, or any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, award, indenture, agreement, or instrument, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(iii) *Valid and Binding Obligations.*

Each Operative Document (which has been executed and delivered by any of AMD Holding, AMD Admin, AMD Saxony LLC, or AMD Saxonia) constitutes the legal, valid, and binding obligation of such AMD Company, enforceable against such AMD Company in accordance with its respective terms, subject, however, to the Opinion Reservations.

(iv) *AMD Holding Security Documents.*

- (a) The provisions of each of the AMD Holding Security Documents which has been executed and delivered by AMD Holding are effective to create in favor of the Security Agent for the benefit of the Secured Parties, a legal, valid, and enforceable first priority Encumbrance in all rights, title, and interest of AMD Holding in the AMD Holding Security described therein, subject only to Permitted Encumbrances; and all necessary filings and recordings have been made in the requisite offices in all jurisdictions necessary or appropriate to perfect or continue perfected with such priority such Encumbrance on such Security.
- (b) Each AMD Holding Security Document which has been executed and delivered by AMD Holding is effective to grant to the Security Agent a legal, valid, and enforceable security interest in all rights, title, and interest of AMD Holding in the AMD Holding Security described therein. When each such Security Document is duly recorded or filed in the applicable recording or filing office(s), if any, and the recording or filing fees and taxes, if any, in respect thereof are paid and compliance is otherwise had with the formal requirements of law applicable to the recording and filing of security documentation generally, such AMD Holding Security is

subject to a legal, valid, enforceable, and perfected first priority Encumbrance.

(v) *AMD Saxony LLC Security Documents.*

- (a) The provisions of each of the AMD Saxony LLC Security Documents which has been executed and delivered by AMD Saxony LLC are effective to create in favour of the Security Agent for the benefit of the Secured Parties, a legal, valid, and enforceable first priority Encumbrance in all rights, title, and interest of AMD Saxony LLC in the AMD Saxonia LLC Security described therein, subject only to Permitted Encumbrances; and all necessary filings and recordings have been made in the requisite offices in all jurisdictions necessary or appropriate to perfect or continue perfected with such priority such Encumbrance on such Security.
- (b) Each AMD Saxony LLC Security Document which has been executed and delivered by AMD Saxony LLC is effective to grant to the Security Agent a legal, valid, and enforceable security interest in all rights, title, and interest of AMD Saxony LLC in the AMD Saxony LLC Security described therein. When each such Security Document is duly recorded or filed in the applicable recording or filing office(s), if any, and the recording or filing fees and taxes, if any, in respect thereof are paid and compliance is otherwise had with the formal requirements of law applicable to the recording and filing of security documentation generally, such AMD Saxony LLC Security is subject to a legal, valid, enforceable, and perfected first priority Encumbrance.

(vi) *AMD Admin Security Documents.*

- (a) The provisions of each of the AMD Admin Security Documents which has been executed and delivered by AMD Admin are effective to create in favour of the Security Agent for the benefit of the Secured Parties, a legal, valid, and enforceable first priority Encumbrance in all rights, title, and interest of AMD Admin in the AMD Admin Security described therein, subject only to Permitted Encumbrances; and all necessary filings and recordings have been made in the requisite offices in all jurisdictions necessary or appropriate to perfect or continue perfected with such priority such Encumbrance on such Security.
- (b) Each AMD Admin Security Document which has been executed and delivered by AMD Admin is effective to grant to the Security Agent a legal, valid, and enforceable security interest in all rights, title, and interest of AMD Admin in the AMD Admin Security described therein. When each such Security Document is duly recorded or filed in the applicable recording or filing office(s), if any, and the recording or filing fees and taxes, if any, in respect thereof are paid and compliance is otherwise had with the formal requirements of law applicable to the recording and filing

of security documentation generally, such AMD Admin Security is subject to a legal, valid, enforceable, and perfected first priority Encumbrance.

(vii) *Financial Information; No Material Adverse Change.*

- (a) The audited consolidated balance sheet of AMD Holding and its Subsidiaries as at 31 December 1996, and the audited balance sheet of AMD Saxonia as at 31 December 1996, and in each case the related consolidated statements of income or operations, shareholders' equity and cash flows for the period from incorporation to such date:
 - (x) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, subject to ordinary, good faith year-end audit adjustments;
 - (y) are complete and accurate in all material respects and fairly present the consolidated financial condition of AMD Holding and AMD Saxonia, or the financial condition of AMD Saxonia, as the case may be, as of the date thereof and their results of operations and cash flows for the period covered thereby; and
 - (z) except as specifically disclosed in the Disclosure Schedules, show all material indebtedness and other liabilities, direct or contingent, of AMD Holding and AMD Saxonia as of the date thereof, including liabilities for taxes, material commitments, and Contingent Liabilities.
- (b) Since the respective dates of organisation of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia, there has been no Material Adverse Effect with respect to AMD Holding, AMD Admin, AMD Saxony LLC, or AMD Saxonia, as the case may be, except as may be specifically disclosed in the Disclosure Schedules.

(viii) *Litigation.*

Except as specifically disclosed in the Disclosure Schedules, there are no actions, suits, proceedings, claims, or disputes pending, or to the best knowledge of the Sponsors, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against AMD Holding, AMD Admin, AMD Saxony LLC, or AMD Saxonia or any of their respective properties which:

- (a) purport to affect or pertain to this Agreement or any other Operative Document, or the entirety of the transactions contemplated hereby or thereby; or

(b) if determined adversely to such AMD Company would reasonably be expected to have a Material Adverse Effect.

No injunction, writ, temporary restraining order, or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery, or performance of this Agreement or any other Operative Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

(ix) *No Default or Termination.*

No Event of Default or Unmatured Event of Default, and, to the best of the Sponsors' knowledge, no Event of Termination, exists. None of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

(x) *No Burdensome Restrictions.*

None of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia is a party to or bound by any Contractual Obligation (other than the Operative Documents), or subject to any restriction in any Organizational Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

(xi) *Solvency.*

Neither AMD Holding nor AMD Admin is insolvent as a matter of German law. AMD Saxony LLC is not insolvent as a matter of the law of the State of Delaware.

(xii) *Title to Properties; Encumbrances.*

AMD Saxonia has good record and marketable title in fee simple to, or valid leasehold interests in (or the equivalent for the relevant jurisdiction), all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. None of AMD Holding, AMD Admin, or AMD Saxony LLC has any real property or leasehold interests. The property of each of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia is subject to no Encumbrances, other than Permitted Encumbrances.

(xiii) *Subsidiaries; Material AMD Inc. Subsidiaries.*

(a) 100% of the capital partnership interests (*Kapitalanteile*) in AMD Saxonia are held by AMD Admin (as to Euro 250), AMD Holding (as to at least 99.99% (rounded to two decimal points) and AMD Saxony LLC (prior to

a Substitution (if any)) (as to Euro 250 prior to its re-transfer of a fractional interest pursuant to the Conversion Documents, and as to 0% following such re-transfer), each of which holds no investment in any other person (except that AMD Admin is a wholly-owned subsidiary of AMD Holding). AMD Holding and AMD Saxony LLC are, in turn, wholly-owned subsidiaries of AMD Inc.;

- (b) AMD Holding has no Subsidiaries other than AMD Saxonia and AMD Admin, and has no equity investments in any other Person;
- (c) AMD Saxony LLC has no equity investments or interests in any other Person other than its general partnership interest in AMD Saxonia;
- (d) AMD Admin has no Subsidiaries and, other than its Euro 250 partnership interest in AMD Saxonia, has no equity investments in any other Person; and
- (e) AMD Saxonia has no Subsidiaries and has no equity investments in any other Person.

(xiv) *Insurance.*

Except as specifically disclosed in the Disclosure Schedules, properties of AMD Holding, AMD Admin and AMD Saxony LLC are insured with financially sound and reputable insurance companies not Affiliates of AMD Inc., in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where each of AMD Holding, AMD Admin and AMD Saxony LLC operates.

(xv) *Copyrights, Patents, Trademarks and Licenses, Etc.*

Each of AMD Holding, AMD Admin, AMD Saxony LLC and AMD Saxonia owns or is licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations, and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except for such conflicts, if any, which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as specifically disclosed in the Disclosure Schedules, to the best knowledge of the Sponsors:

- (a) no slogan or other advertising device, product, process, method, substance, part, or other material now employed, or now contemplated to be employed, by AMD Holding, AMD Admin, AMD Saxony LLC or AMD Saxonia infringes upon any rights held by any other Person;
- (b) no claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Sponsors, threatened; and

-
- (c) no patent, invention, device, application, principle, or any statute, law, rule, regulation, standard, or code is pending or, to the best knowledge of the Sponsors, proposed

which, in any case described in (a), (b), or (c) above, could reasonably be expected to have a Material Adverse Effect.

(xvi) *Taxes.*

Each of AMD Holding, AMD Admin and AMD Saxony LLC has filed all material U.S. Federal, German and other tax returns and reports required to be filed, and has paid all material U.S. Federal, German and other taxes, assessments, fees, and other governmental charges levied or imposed upon it or its properties, income, or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against AMD Holding, AMD Admin or AMD Saxony LLC that would, if made, have a Material Adverse Effect.

(xvii) *Governmental Approvals with Respect to the Operative Documents.*

As of the date on which this representation and warranty is made or reaffirmed, as the case may be, all Governmental Approvals (including, without limitation, from the United States of America, the European Union, the Federal Republic of Germany, and the Free State of Saxony) necessary for the due authorization, execution, delivery, and performance by each of AMD Holding, AMD Admin, AMD Saxony LLC and AMD Saxonia of, the legality or validity of the obligations of each of such AMD Companies under, or the enforceability against each of such AMD Companies of, each of the Operative Documents to which it is a party and the due and timely payment by each of such AMD Companies of amounts owing under each of the Operative Documents have been listed on Schedule 20 to the Loan Agreement and, except as otherwise noted therein, all of such Governmental Approvals have been duly obtained or effected, and are in full force and effect on the Conversion Effective Date.

(xviii) *Governmental Approvals with Respect to the Plant and the Design Center.*

As of the date on which this representation and warranty is made or reaffirmed, as the case may be, all Governmental Approvals necessary for the construction, ownership, use, and operation by AMD Saxonia of the Plant and the Design Center or which are required in order that the Plant and the Design Center may be operated for their intended purposes and Perform in Accordance with the Plans and Specifications, have been listed on Schedule 20 to the Loan Agreement, and all of such Governmental Approvals (except those listed in Part B of Schedule 20 to the Loan Agreement) have been duly obtained or effected, are sufficient for all purposes thereof, and are in full force and effect on such date (and, in the case of Governmental Approvals that have expired, each of AMD Holding, AMD Admin,

AMD Saxony LLC and AMD Saxonia has timely applied for renewal thereof and such Governmental Approvals have been administratively extended under applicable law); and the Sponsors reasonably believe, after due inquiry, that the Governmental Approvals set forth in Schedule 20 to the Loan Agreement, together with all Governmental Approvals, if any, that may be required in connection with the transactions contemplated by the Operative Documents subsequent to the date on which this representation and warranty is made or reaffirmed, as the case may be, will be obtained at such time or times as may be necessary to avoid material delay in, or material restrictions on the use or operation of, the Plant and the Design Center.

(xix) *Interruption of Business.*

Neither the business nor the properties of AMD Holding, AMD Admin, AMD Saxony LLC or AMD Saxonia are presently affected by any fire, explosion, accident, strike, lockout, or other dispute, drought, storm, hail, earthquake, embargo, Act of God, or of the public enemy, or other casualty (whether or not covered by insurance) which impairs, or, if such event or condition were to continue for more than thirty (30) additional days would be likely to impair, such AMD Company's ability to perform its obligations under the Operative Documents.

(xx) *Prior Activities, etc.*

Prior to the Loan Agreement Effective Date, neither AMD Holding nor AMD Saxonia has engaged in any business, conducted any operations or activities, nor incurred any obligations or liabilities (contingent or otherwise), other than (i) as described in the Disclosure Schedules, and (ii) its obligations, if any, under the Operative Documents, and activities reasonably incidental thereto. Prior to the Conversion Effective Date, neither AMD Saxony LLC nor AMD Admin has engaged in any business, conducted any operations or activities, not incurred any obligations or liabilities (contingent or otherwise), other than its obligations, if any, under the Operative Documents, and activities reasonably incidental thereto.

(xxi) *Status of AMD Holding, AMD Admin, AMD Saxony LLC, and AMD Saxonia, etc.*

- (a) AMD Holding is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement;
- (b) AMD Saxony LLC is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement;
- (c) AMD Admin is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement; and
- (d) AMD Saxonia is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement.

(xxii) *Accuracy of Information.*

As of the date this representation and warranty is made or reaffirmed, as the case may be, all factual information then or theretofore furnished by or on behalf of AMD Holding, AMD Admin, AMD Saxony LLC or AMD Saxonia to the Agent or any Bank or the Technical Advisor for purposes of or in connection with any Operative Document or any transaction contemplated thereby (including the Information Memorandum, true and complete copies of which were furnished to the Agent in connection with the execution and delivery of this Agreement) is true and accurate (taken as a whole) in all material respects on the date as of which such information is dated or certified, and on such date such information (taken as a whole) was not incomplete by omitting to state any material fact necessary to make such information not misleading. Insofar as any such information includes assumptions, estimates, or projections, such assumptions, estimates, or projections have been or will be made in good faith, with due care, and with a diligent application of engineering, construction, and accounting expertise reasonably available within AMD Inc. and its Subsidiaries (it being understood that although any projections and forecasts furnished by an AMD Company represent such AMD Company's best estimates and assumptions as to future performance, which such AMD Company believes to be fair and reasonable as of the time made in the light of current and reasonably foreseeable business conditions, such projections and forecasts as to future events are not to be viewed as facts and that actual results during the period or periods covered thereby may differ from the projected or forecasted results). Without limiting the generality of the foregoing, as of the Loan Agreement Effective Date, no new information has become available which was not provided to the Technical Advisor prior to the Loan Agreement Effective Date and which, had it been so provided, could reasonably be expected to have caused the Technical Advisor to express an unfavourable opinion with respect to the Project in the Technical Advisor's Report.

(xxiii) *Warranties made by AMD Saxonia.*

Each of the representations and warranties made by AMD Saxonia in any Operative Document to which it is a party (other than the representation and warranty contained in § 15.1.10 of the Loan Agreement) is true and accurate in all material respects on each Sponsors' Warranty Date, except to the extent that any such representation or warranty expressly relates solely to an earlier date, and except, in the case of any representation or warranty made on a Sponsors' Warranty Date described in clause (vi) of the definition thereof, as otherwise provided in the certificate referred to therein.

SECTION 12.3 *Repetition of Representations and Warranties.* The representations and warranties contained in Sections 12.1 and 12.2 shall be repeated on each Sponsors' Warranty Date, except to the extent that any such representation and warranty expressly relates solely to an earlier date, and except, in the case of the Sponsors' Warranty Date described in clause (vi) of the definition thereof, as otherwise set forth in the certificate referred to therein.

ARTICLE XIII
Covenants

SECTION 13.1 *Affirmative Covenants of AMD, Inc.* AMD Inc. agrees, so long as any Primary Secured Obligations shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that it will, and will cause each other AMD Company to, unless in either case the Security Agent shall have enforced any of the Security or the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

- (i) furnish to the Agent (with copies for each of the Banks):
 - (a) as soon as possible and in any event within ten (10) Business Days after a Relevant AMD Inc. Individual shall have obtained actual knowledge of the occurrence of an Event of Default, an Unmatured Event of Default or an Event of Termination, the statement of an authorised officer of AMD Inc. setting forth the details thereof which has occurred and the action (if any) which AMD Inc. or any other AMD Company proposes to take with respect thereto;
 - (b) as soon as available, and in any event within forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year of AMD Inc., (x) consolidated financial statements consisting of a consolidated balance sheet of AMD Inc. as at the end of such Fiscal Quarter and a consolidated statement of income and statement of shareholders' equity and cashflows of AMD Inc. for such Fiscal Quarter and for the Fiscal Year through such Fiscal Quarter, setting forth in comparative form the corresponding figures for the corresponding periods of the preceding Fiscal Year, all in reasonable detail and certified (subject to ordinary good faith year end audit adjustments) by an authorised financial officer of AMD Inc. as being complete and accurate in all material respects, and as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of AMD Inc. and its Subsidiaries, and (y) consolidating financial statements consisting of a consolidating balance sheet of AMD Inc. as at the end of such Fiscal Quarter and a consolidating statement of income and statement of shareholders' equity and cashflows of AMD Inc. for such Fiscal Quarter and for the Fiscal Year through such Fiscal Quarter, setting forth in comparative form the corresponding figures for the corresponding periods of the preceding Fiscal Year, all in reasonable detail and certified (subject to ordinary good faith year end audit adjustments) by an authorised financial officer of AMD Inc. as being complete and accurate in all material respects, and as having been developed and used in connection with the financial statements referred to in clause (x) above;
 - (c) as soon as available, and in any event within ninety (90) days after the end of each Fiscal Year of AMD Inc., (x) financial statements consisting of a

consolidated balance sheet of AMD Inc. as at the end of such Fiscal Year and a consolidated statement of income and statement of shareholders' equity and cashflows of AMD Inc. for such Fiscal Year, setting forth in comparative form the corresponding figures for the preceding Fiscal Year, all in reasonable detail and certified by independent certified public accountants of recognised national standing and by an authorised financial officer of AMD Inc. as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of AMD Inc. and its Subsidiaries, and (y) a certificate from each Sponsor confirming, as of the date of such certificate, that, except as otherwise therein set forth, each of the representations and warranties made by each AMD Company in any Operative Document to which it is a party is true and accurate in all material respects on the date of such certificate, except to the extent that any such representation or warranty expressly relates solely to an earlier date;

- (d) (x) in connection with the completion of any Scheduled Project Phase, (1) a Scheduled Project Phase Technical Completion Certificate (AMD Companies), and (2) a Scheduled Project Phase Technical Completion Certificate (Technical Advisor), and (y) as soon as available, and in any event within ten (10) days after the completion of any Scheduled Project Phase, (1) a Project Budget and (2) a Project Schedule relating to the Project, setting forth in reasonable detail a description of all of the Capital Expenditures which have been made during each Scheduled Project Phase (other than the final Project Phase) with respect to the Project to the date thereof and those which are anticipated to be made during each Project Phase prior to Completion;provided, however, that if, at any time prior to Completion, any AMD Company or the Agent (acting on the instructions of an Instructing Group), determines that it is appropriate to amend, supplement, or otherwise modify the Approved Project Budget, or the Approved Project Schedule, the parties hereto hereby agree to discuss in good faith any such proposed amendment, supplement, or modification;provided, further, that (a) neither the Agent nor the Banks shall be obligated in any matter, as a result of any such discussions or otherwise, to agree to any amendments, supplements, or other modifications to the Approved Project Budget or Approved Project Schedule which would reduce or relax the then required financial performance of AMD Saxonia with respect to the Project, and (b) each of the Agent and the Banks reserve(s) all rights hereunder in the event that such discussions fail to produce an amendment or other supplement to, or modification of, the Approved Project Budget or the Approved Project Schedule. In the event (but only in such event) that AMD Saxonia (with the consent of each Sponsor) and the Agent agree to amend, supplement, or otherwise modify any Approved Project Budget or any Approved Project Schedule, as the case may be, then such amended, supplemented, or otherwise modified Approved Project Budget or Approved Project Schedule, as the case may be, shall thereafter be the "Approved Project Budget" or the "Approved

Project Schedule” for all purposes hereof until further changed, if at all, pursuant to this Section 13.1(i)(d);

- (e) promptly following AMD Inc.’s or such other AMD Company’s receipt or transmission thereof, and unless otherwise concurrently delivered by another AMD Company to the Agent under an Operative Document, a copy of each notice, report, schedule, certificate, financial statement, or other document furnished pursuant to any of the Operative Documents if such notice, report, schedule, certificate, financial statement, or other document could reasonably be considered material to the Agent or any Bank in connection with the Operative Documents and the entirety of the transactions contemplated thereby;
 - (f) promptly following the occurrence of (x) any change in the identification of the applicable AMD Inc. Primary Bank Credit Agreement pursuant to the definition thereof contained in Section 1.1, or (y) any consent or waiver or amendment or modification with respect to the incorporated covenants, related definitions, or ancillary provisions of the AMD Inc. Primary Bank Credit Agreement, notice of such change and the basis therefor or of such consent or waiver or amendment or modification and the basis therefor; and
 - (g) such other information with respect to the business affairs, financial condition, and/or operations of AMD Inc. and its Subsidiaries (including AMD Saxonia) and Affiliates as the Agent or any Bank (acting through the Agent) may from time to time reasonably request for purposes of the transactions contemplated by the Operative Documents.
- (ii) pay and perform all of its obligations under each of the Operative Documents to which it is a party in the manner and at the time contemplated therein.
 - (iii) cause each of AMD Holding and AMD Saxony LLC at all times to be a wholly-owned Subsidiary of AMD Inc. and cause AMD Admin at all times to be a wholly-owned Subsidiary of AMD Holding and cause the capital partnership interests in AMD Saxonia at all times to be held by AMD Admin (as to Euro 250) and AMD Holding (as to at least 99.99% (rounded to two decimal points)) (except for the temporary transfer of a partnership interest of AMD Saxonia to AMD Saxony LLC pursuant to the Assignment and Trust Agreement and except in connection with the Substitution (if any)).
 - (iv) cause AMD Saxony LLC to retransfer to AMD Holding, its partnership interest of Euro 250 in AMD Saxonia in accordance with the Assignment and Trust Agreement and to ensure that, at no time thereafter, shall AMD Saxony LLC acquire or become entitled to acquire a capital partnership interest in AMD Saxonia.

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- (v) promptly following a request by the Agent or any Bank (acting through the Agent) to do so, permit the Agent, the Technical Advisor, the Auditor, or any of their respective representatives to have reasonable access during normal business hours to the Plant or the Design Center and to such books and records of AMD Saxonia as may be necessary or reasonably desirable (in the good faith discretion of the Agent or any Bank) to verify compliance by each AMD Company with its obligations under the Operative Documents to which it is a party; provided, that such access shall be exercised in a manner which does not disrupt the operations of the Plant or the Design Center, in any material respect.
 - (vi) prior to Completion, cause AMD Saxonia to use Sponsors' Loans, equity contributions under Article II, Advances and Revolving Loans solely to pay Project Costs incurred to complete the Project in accordance with the Plans and Specifications.
 - (vii) following the Conversion, promptly execute, and cause each of AMD Holding, AMD Admin and AMD Saxony LLC to promptly execute, a declaration of liability substantially in the same form attached as Appendix Four to the SAB/Dresdner Subsidy Agreement, amended to reflect the addition of the Additional Partner Companies.
 - (viii) in respect of Product Liability Insurance and Business Interruption Insurance as required in § 17.8 of the Loan Agreement and Schedule 22 of the Loan Agreement, procure and maintain such insurance policies and otherwise comply in all respects with respect to such insurances with § 17.8 of the Loan Agreement and Schedule 22 of the Loan Agreement, including delivery of certificates from its Insurance Brokers as required therein, as if each of the obligations referred to in § 17.8 of the Loan Agreement and Schedule 22 of the Loan Agreement with regard to such insurances were expressed to be those of AMD Inc.
 - (ix) make or cause to be made prompt payment of all premiums and premium installments payable under each Product Liability Insurance and Business Interruption Insurance policy as required in Schedule 22 of the Loan Agreement.

SECTION 13.2 *Negative Covenants of AMD Inc.* AMD Inc. agrees, so long as any Primary Secured Obligation shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that it will not, and not permit any other AMD Company to, unless in either case the Security Agent shall have enforced any of the Security or the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

- (i) terminate, amend or modify, or agree to the termination, amendment or modification, of any Operative Document, other than (w) the AMD Inc. Primary Bank Credit Agreement (which may be amended, modified, or terminated in accordance with Section 13.3), (x) the Equipment Supply Contracts that are not Material Equipment Supply Contracts, (y) the Service Contracts that are not Material Service Contracts, or (z) in the case of the Project Budget, the Approved Project Budget, the Project Schedule, the Approved Project Schedule, and the

Management Plan, as expressly provided hereunder;provided, that AMD Inc. may terminate the AMD Holding Wafer Purchase Agreement or the AMD Holding Research Agreement only in accordance with the express termination provisions thereof;provided, further, that AMD Holding may terminate the AMD Saxonia Wafer Purchase Agreement or the AMD Saxonia Research Agreement only in accordance with the express termination provisions thereof; andprovided, further, that the AMD Saxonia Hedging Contract may be terminated only in accordance with the express termination provisions thereof. The foregoing notwithstanding, AMD Saxonia may amend or modify, or agree to the amendment or modification of, the Design/Build Agreement, any Material Equipment Supply Contract, any Material Service Contract, or the Plans and Specifications to the extent such amendment or modification does not, individually or in the aggregate, decrease or adversely affect (x) the value or use of the Plant and the Design Center (or of the rights of the Banks with respect thereto) in any material respect, or (y) the capacity of the Plant to perform, on a substantially continuous basis, the functions for which it was specifically designed in accordance with the plans and specifications as originally approved by the Technical Advisor and the Agent for purposes of the Operative Documents;provided, that prior to Completion no such amendment or modification will, individually or in the aggregate, be inconsistent with the Approved Project Budget or the Approved Project Schedule.

- (ii) create, incur, or suffer to exist any Encumbrance with respect to its rights under or in respect of the Sponsors' Loan Agreement or the Revolving Loan Facility Agreement.
- (iii) permit AMD Holding, AMD Saxony LLC, AMD Admin or AMD Saxonia to amend their respective Organizational Documents (except in connection with the Substitution (if any)).
- (iv) permit to subsist or enter into any other agreements which (by their terms) conflict with, or prohibit AMD Inc., from complying with its obligations as set out in this Agreement or any other Operative Document.

SECTION 13.3 *Incorporated Covenants of AMD, Inc.* AMD Inc. agrees, so long as any Primary Secured Obligation shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that it will, unless the Security Agent shall have enforced any of the Security or the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing, duly keep, perform, and observe, for the benefit of the Agent, the Security Agent, and the Secured Parties, each and every affirmative, negative, and informational covenant contained in the AMD Inc. Primary Bank Credit Agreement (to the extent that such covenants are applicable to AMD Inc. thereunder), all of which covenants, together with related definitions and ancillary provisions, are hereby incorporated herein by reference as if such terms were set forth herein in full;provided, however, that:

- (i) with respect to the AMD Inc. Primary Bank Credit Agreement referred to in clause (i) of the definition thereof:

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- (a) any references to the “Agent” shall be deemed to be references to the Agent (except where such term is used in Article 6, Sections 7.1, 7.2 (a), 9.5 (b) and (c) (second sentence), 9.11, 9.14, 9.15 and 9.22 (a) thereof);
 - (b) any references to the “Lenders” shall be deemed to be references to the Banks (except where such term is used in Article 6, Sections 7.1, 7.2 (a), 9.5 (b) and (c) (second sentence), 9.15 and 9.22 (a) thereof);
 - (c) any references to the “Majority Lenders” shall be deemed to be references to an Instructing Group (except where such term is used in Article 6, or Section 9.5 (b) and 9.22 (a) thereof);
 - (d) any references to the “Agreement” shall be deemed to be references to this Agreement (except where such term is used in Article 6 and Sections 7.2 (b), 7.2 (d), 7.2 (e), 9.8, 9.13, 9.15 and 9.22 (a) thereof);
 - (e) any references to the “Loan Documents” shall be deemed to be references to the Operative Documents (except where such term is used in Article 6 and Section 7.2 (e) and 9.22 (a) thereof);
 - (f) any references to an “Event of Default” shall be deemed to be references to an Event of Default (except where such term is used in Article 6 and Sections 7.2 (d), 7.2 (e), 9.5 (c) and 9.8 (vi) (A) thereof);
 - (g) any references to a “Default” shall be deemed to be references to an Unmatured Event of Default (except where such term is used in Article 6 and Sections 7.2 (d) and 7.2 (e) thereof);
 - (h) any references to a “Material Adverse Effect” shall be deemed to be references to a Material Adverse Effect; and
 - (i) any references to “so long as any of the Obligations remain outstanding or this Agreement is in effect” shall be deemed to be references to “So long as any Bank shall have any commitment to make Advances under the Loan Agreement or any of the Primary Secured Obligations shall remain unpaid or unsatisfied”;
 - (ii) [intentionally deleted]
 - (iii) with respect to the AMD Inc. Primary Bank Credit Agreement referred to in clause (ii) of the definition thereof, such modifications to the provisions incorporated in this Agreement as shall be appropriate to make them applicable to this Agreement and consistent with the Project shall be deemed to be made; and

The provisions and definitions of the applicable AMD Inc. Primary Bank Credit Agreement, as incorporated by reference in this Agreement, shall continue to be binding on AMD Inc. after giving effect to any consent or waiver with respect to such provisions or to any amendment or

modification thereof, in each case given or made in accordance with the terms of and by the parties to the applicable AMD Inc. Primary Bank Credit Agreement.

SECTION 13.4 *Affirmative Covenants of the Sponsors*. The Sponsors, jointly and severally, agree, so long as any Primary Secured Obligations shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that each of AMD Holding, AMD Admin, and (prior to the Substitution (if any)), AMD Saxony LLC will (and, at all times prior to the exercise of rights by the Security Agent under any of the Security Documents, AMD Inc. will cause each of AMD Holding, AMD Admin, and (prior to the Substitution (if any)) AMD Saxony LLC to), unless the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

- (i) duly and punctually pay and perform all of its obligations under each of the Operative Documents to which it is a party in the manner and at the time contemplated therein.
- (ii) pay or discharge (a) all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits or any property belonging to it prior to the date on which penalties attach thereto, and (b) all lawful claims prior to the time they become an Encumbrance upon any property of any of AMD Holding, AMD Admin or AMD Saxony LLC, as the case may be, and other than taxes, assessments, charges, levies, or claims included in clauses (a) and (b) above which are not, individually or collectively, substantial in aggregate amount; provided, that (after providing notice thereof to the Agent) neither AMD Holding, nor AMD Saxony LLC, nor AMD Admin shall be required to pay or discharge any such tax, assessment, charge, levy, or claim while the same is being contested by it in good faith and by appropriate proceedings and adequate book reserves have been established with respect thereto, and so long as the lien or charge resulting from the nonpayment or non-discharge of such tax, assessment, charge, levy, or claim shall not, individually or in the aggregate, have a Material Adverse Effect.
- (iii) cause AMD Saxonia to preserve and maintain its existence as a Limited Partnership, rights, privileges, and franchises in the jurisdiction of its incorporation, and cause AMD Saxonia to not have operations in any other jurisdiction.
- (iv) comply in all material respects with all laws, rules, regulations, and governmental orders (Federal, state, local, and foreign) having applicability to it or to the business or businesses at any time conducted by each of AMD Holding, AMD Admin, and AMD Saxony LLC except to the extent that any such noncompliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.
- (v) promptly following each of AMD Holding's, AMD Admin's and AMD Saxony LLC's, as the case may be, receipt or transmission thereof, unless otherwise concurrently delivered by another AMD Company to the Agent under an

Operative Document, furnish to the Agent a copy of each notice, report, schedule, certificate, financial statement, or other document furnished pursuant to any of the Operative Documents if such notice, report, schedule, certificate, financial statement, or other document could reasonably be considered material to the Agent or any Bank in connection with the Operative Documents or the entirety of the transactions contemplated thereby.

- (vi) promptly following a request from the Security Agent to do so and at AMD Holding's, AMD Admin's or AMD Saxony LLC's, as the case may be, own expense, take all such lawful action as the Security Agent may reasonably request to enforce or secure the performance by each other AMD Company under any Operative Document to which AMD Holding, AMD Admin or AMD Saxony LLC is a party of such AMD Company's respective obligations under and in connection with the applicable Operative Document in accordance with the respective terms thereof, and exercise any right of termination or remedy available to AMD Holding, AMD Admin or AMD Saxony LLC thereunder or in connection therewith to the extent and in the manner reasonably directed by the Security Agent, including, without limitation, the institution of legal or administrative actions or proceedings to compel or enforce performance by each other AMD Company of its respective obligations thereunder, or to recover any payment due AMD Holding, AMD Admin or AMD Saxony LLC thereunder.
- (vii) keep, or cause to be kept, adequate records and books of account, in which complete entries are to be made reflecting its business and financial transactions, such entries to be made in accordance with GAAP consistently applied in the case of financial transactions or as otherwise required by applicable rules and regulations of any governmental agency or regulatory authority (federal, state, local or foreign) having jurisdiction over AMD Holding, AMD Admin and AMD Saxony LLC, or the transactions contemplated by this Agreement or the other Operative Documents to which it is or will be a party.
- (viii) maintain, obtain or effect all Governmental Approvals which may at any time or from time to time be necessary for the due authorization, execution, delivery, performance, legality, validity, or enforceability of each of the Operative Documents to which it is or will be a party.
- (ix) prior to Completion, cause AMD Saxonia to use Sponsors' Loans, equity contributions under Article II, Advances and Revolving Loans solely to pay Project Costs to complete the Project in accordance with the Plans and Specifications.
- (x) cause each of AMD Holding and AMD Admin to promptly pay proceeds from any tax refunds to AMD Saxonia.
- (xi) furnish to the Agent (with copies for each of the Banks):

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- (a) as soon as available, and in any event within ninety (90) days after the end of each calendar year, financial statements of each of AMD Holding and AMD Admin consisting of a balance sheet of each of AMD Holding and AMD Admin as at the end of such calendar year and a profit and loss statement and cash flow statement of each of AMD Holding and AMD Admin for such calendar year, setting forth in comparative form the corresponding figures for the preceding calendar year (to the extent applicable), all in reasonable detail and certified by independent certified public accountants of recognised national standing and by an authorised financial officer of each of AMD Holding and AMD Admin as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of each of AMD Holding and AMD Admin;
 - (b) as soon as available, and in any event within ninety (90) days after the end of each Fiscal Year of AMD Saxony LLC, financial statements consisting of a balance sheet of AMD Saxony LLC as at the end of such Fiscal Year and a statement of income and statement of shareholders' equity and cashflows of AMD Saxony LLC for such Fiscal Year, setting forth in comparative form the corresponding figures for the preceding Fiscal Year, all in reasonable detail and certified by independent certified public accountants of recognised national standing and by an authorised financial officer of AMD Saxony LLC as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of AMD Saxony LLC.
- (xii) following the Conversion, promptly execute a declaration of liability substantially in the same form attached as Appendix Four to the SAB/Dresdner Subsidy Agreement, amended to reflect the addition of the Additional Partner Companies and promptly deliver or cause to be delivered, to the Agent the original executed version of the Power of Attorney referred to in para (xxiii) of the definition of Conversion Documents which shall be held by the Agent in accordance with the Operative Documents.

SECTION 13.5 *Negative Covenants of the Sponsors.* The Sponsors, jointly and severally, agree, so long as any Primary Secured Obligation shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that none of AMD Holding, AMD Admin or (prior to the Substitution (if any)) AMD Saxony LLC will (and AMD Inc. will not, at any time prior to the exercise of rights by the Security Agent under any of the Security Documents, permit AMD Holding, AMD Admin or (prior to the Substitution (if any)) AMD Saxony LLC to), unless the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

- (i) terminate, amend or modify, or agree to the termination, amendment or modification, of any Operative Document, other than (w) the AMD Inc. Primary Bank Credit Agreement (which may be amended, modified or terminated in accordance with Section 13.3), (x) the Equipment Supply Contracts that are not

Material Equipment Supply Contracts, (y) the Service Contracts that are not Material Service Contracts, or (z) in the case of the Project Budget, the Approved Project Budget, the Project Schedule, the Approved Project Schedule, and the Management Plan, as expressly provided hereunder; provided, that AMD Inc. may terminate the AMD Holding Wafer Purchase Agreement or the AMD Holding Research Agreement only in accordance with the express termination provisions thereof; provided, further, that AMD Holding may terminate the AMD Saxonia Wafer Purchase Agreement or the AMD Saxonia Research Agreement only in accordance with the express termination provisions thereof; and provided, further, that the AMD Saxonia Hedging Contract may be terminated only in accordance with the express termination provisions thereof. The foregoing notwithstanding, AMD Saxonia may amend or modify, or agree to the amendment or modification of, the Design/Build Agreement, any Material Equipment Supply Contract, any Material Service Contract, or the Plans and Specifications to the extent such amendment or modification does not, individually or in the aggregate, decrease or adversely affect (x) the value or use of the Plant and the Design Center (or of the rights of the Banks with respect thereto) in any material respect, or (y) the capacity of the Plant to perform, on a substantially continuous basis, the functions for which it was specifically designed in accordance with the plans and specifications as originally approved by the Technical Advisor and the Agent for purposes of the Operative Documents; provided, that, prior to Completion, no such amendment or modification will, individually or in the aggregate, be inconsistent with the Approved Project Budget or the Approved Project Schedule.

- (ii) engage in any activities other than those contemplated by the Operative Documents to which it is a party or the transactions contemplated thereby and activities reasonably incidental thereto.
- (iii) create, incur, assume, or suffer to exist any Encumbrance in, upon, or with respect to any of its properties or assets, whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income to secure any obligation, except as contemplated by (1) the AMD Holding Security Documents, (2) the AMD Saxony LLC Security Documents, (3) the AMD Admin Security Documents and (4) for Permitted Encumbrances.
- (iv) create, incur, assume, or suffer to exist any Indebtedness, whether current or funded, except current accounts and other amounts payable in the ordinary course of business, and except to the extent contemplated by the Operative Documents.
- (v) create, incur, assume, or suffer to exist any obligations as lessee for the rental or hire of real or personal property of any kind whatsoever.
- (vi) assume, guarantee, or endorse, or otherwise become directly or contingently liable in respect of, any obligation of any Person, except pursuant to the Operative Documents to which it is a party.

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- (vii) merge with or into or consolidate with any Person, or, acquire, lease, or purchase, all or substantially all of the assets or stock of any class of, or any partnership or joint venture interest in, any Person, or create or acquire any Subsidiary, except, with respect to AMD Holding, for the acquisition of AMD Saxonia and AMD Admin.
 - (viii) sell, lease, assign, transfer, or otherwise dispose of any of its assets, including its accounts receivable, except as contemplated by the Operative Documents or in connection with the Conversion and the Substitution (if any); or issue or sell any shares of any class of its capital stock to any Person except, with respect to AMD Holding and AMD Saxony LLC, to AMD Inc. and except, with respect to AMD Admin, to AMD Holding.
 - (ix) make any loan or advance or extend any credit to any Person other than AMD Saxonia or as contemplated by the AMD Holding Wafer Purchase Agreement, or purchase or otherwise acquire the capital stock or obligation of, or any investment in, any Person other than AMD Saxonia, in each case other than Cash Equivalent Investments which have been pledged to the Security Agent pursuant to the AMD Holding Security Documents.
 - (x) apply for or become liable with respect to any letter of credit or acceptance financing; or enter into or become liable with respect to any interest or currency swap, hedge, exchange, or other similar obligation.
 - (xi) purchase any shares of, or interest in, any Person, other than, with respect to AMD Holding, shares of, or interest in, AMD Saxonia or AMD Admin, and, with respect to AMD Saxony LLC, the re-transfer of Euro 250 capital interest (*Pflichteinlage*) in AMD Saxonia in connection with the Conversion, or redeem any of its shares, declare or pay any dividend thereon or make any distribution to its shareholders, except for any such distribution made as a result of the transactions contemplated by Section 6.3 or as otherwise contemplated by the Operative Documents; or in the case of AMD Saxony LLC, AMD Admin or AMD Holding, accept any distributions, or accept any payments of profits (*Gewinnanspruch*) including but not limited to, any and all rights and claims arising in connection with the capital accounts (*Kapitalkonten*), loan accounts (*Darlehenskonten*), and the private accounts (*Privatkonten*) of any partner (*Gesellschafter*), any claim to a distribution-quote (*Auseinandersetzunganspruch*) including but not limited to any compensation in case of termination (*Auflösung*), in particular claims for liquidation proceeds (*Liquidationserlös*), withdrawal (*Ausscheiden*) of a partner, repaid capital in case of a capital decrease (*Herabsetzung der Einlage oder der Pflichteinlage*), repayment of capital (*Rückzahlung von Einlagen*) or any other pecuniary claims (*geldwerte Forderungen*) from AMD Saxonia, except for any such distribution or payment of profits made as a result of the transactions contemplated by Section 6.3 or as otherwise contemplated by the Operative Documents.

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- (xii) except as provided in the Management Service Agreement, pay any salary, compensation, or bonus of any character to any officer, director, or employee of AMD Holding or any Affiliate thereof, or of AMD Admin or any Affiliate thereof or of AMD Saxony LLC or any Affiliate thereof or provide any such Person with any medical, surgical, dental, hospital, disability, unemployment, retirement, pension, vacation, or insurance benefit of any kind or adopt, establish, or maintain any plan, fund, or program to provide any such benefit.
 - (xiii) enter into any transaction with AMD Inc. or an Affiliate thereof (other than AMD Saxonia) on a basis materially less favourable to AMD Holding, AMD Admin or AMD Saxony LLC, as the case may be, than would be the case if such transaction had been effected with a Person other than AMD Inc. or an Affiliate thereof.
 - (xiv) open or maintain a bank account with any Person, except for demand or other deposit accounts at the Agent and at Security Agent.
 - (xv) amend or modify the Organizational Documents of AMD Saxonia, AMD Saxony LLC or AMD Admin.
 - (xvi) issue any power of attorney or other contract or agreement giving any Person power or control over the day-to-day operations of AMD Holding's business, AMD Admin's business or AMD Saxony LLC's business, as the case may be, except as contemplated by the Operative Documents.
 - (xvii) commence, or join with any other creditor in commencing, any bankruptcy, reorganization, or insolvency proceeding with respect to AMD Saxonia or AMD Inc.
 - (xviii) enter into any agreement other than as contemplated by the Operative Documents to which it is or will be a party or under any instrument or document delivered or to be delivered by it hereunder or thereunder, or in connection herewith or therewith.
 - (xix) make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change its Fiscal Year.
 - (xx) create, incur, assume, or suffer to exist any Encumbrance with respect to its rights under or in respect of the Sponsors' Loan Agreement or the Revolving Loan Facility Agreement, except as set forth in the Security Documents.
 - (xxi) permit AMD Saxony LLC to conduct any activities other than as general partner of AMD Saxonia, nor permit AMD Admin to conduct any activities other than as limited partner of AMD Saxonia (and as substitute general partner of AMD Saxonia, following the Substitution (if any)), nor permit AMD Holding to conduct any activities other than as limited partner of AMD Saxonia or as contemplated by the Operative Documents.

SECTION 13.6 *Affirmative Covenants of the Additional Partner Companies*. The Additional Partner Companies, jointly and severally, agree, so long as any Primary Secured Obligations shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that each of AMD Admin and (prior to the Substitution (if any)) AMD Saxony LLC will, unless the Security Agent shall have enforced any of the Security or the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

- (i) furnish to the Agent (with copies for each of the Banks):
 - (a) as soon as available, and in any event within ninety (90) days after the end of each calendar year, financial statements of AMD Admin consisting of a balance sheet of AMD Admin as at the end of such calendar year and a profit and loss statement and cash flow statement of AMD Admin for such calendar year, setting forth in comparative form the corresponding figures for the preceding calendar year (to the extent applicable), all in reasonable detail and certified by independent certified public accountants of recognised national standing and by an authorised financial officer of each of AMD Admin as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of AMD Admin;
 - (b) as soon as available, and in any event within ninety (90) days after the end of each Fiscal Year of AMD Saxony LLC, financial statements consisting of a balance sheet of AMD Saxony LLC as at the end of such Fiscal Year and a statement of income and statement of shareholders' equity and cashflows of AMD Saxony LLC for such Fiscal Year, setting forth in comparative form the corresponding figures for the preceding Fiscal Year (to the extent applicable), all in reasonable detail and certified by independent certified public accountants of recognised national standing and by an authorised financial officer of AMD Saxony LLC as fairly presenting in accordance with GAAP, consistently applied, the financial position and results of operations of AMD Saxony LLC;
 - (c) promptly following the Additional Partner Companies' receipt or transmission thereof, and unless otherwise concurrently delivered by another AMD Company to the Agent under an Operative Document, a copy of each notice, report, schedule, certificate, financial statement, or other document furnished pursuant to any of the Operative Documents if such notice, report, schedule, certificate, financial statement, or other document could reasonably be considered material to the Agent or any Bank in connection with the Operative Documents and the entirety of the transactions contemplated thereby; and
 - (d) such other information with respect to the business affairs, financial condition, and/or operations of the Additional Partner Companies as the Agent or any Bank (acting through the Agent) may from time to time

reasonably request for purposes of the transactions contemplated by the Operative Documents.

- (ii) pay and perform all of its obligations under each of the Operative Documents to which it is a party in the manner and at the time contemplated therein.
- (iii) ensure that 100% of the capital partnership interests (Kapitalanteile) in AMD Saxonia shall be held by AMD Admin (as to Euro 250), AMD Holding (as to at least 99.99% (rounded to two decimal points) and AMD Saxony LLC (prior to a Substitution (if any)) (as to Euro 250 prior to its re-transfer of a fractional interest pursuant to the Conversion Documents, and as to 0% following such re-transfer), each of which shall hold no investment in any other person (except that AMD Admin is a wholly-owned subsidiary of AMD Holding) and that AMD Holding and AMD Saxony LLC shall be, in turn, wholly-owned subsidiaries of AMD Inc.
- (iv) with respect to AMD Saxony LLC, retransfer to AMD Holding its capital interest (*Pflichteinlage*) of Euro 250 in AMD Saxonia in accordance with the Assignment and Trust Agreement.
- (v) pay or discharge (a) all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits or any property belonging to it prior to the date on which penalties attach thereto, and (b) all lawful claims prior to the time they become an Encumbrance upon any property of any of the Additional Partner Companies, and other than taxes, assessments, charges, levies, or claims included in clauses (a) and (b) above which are not, individually or collectively, substantial in aggregate amount; provided, that (after providing notice thereof to the Agent) neither AMD Saxony LLC nor AMD Admin shall be required to pay or discharge any such tax, assessment, charge, levy, or claim while the same is being contested by it in good faith and by appropriate proceedings and adequate book reserves have been established with respect thereto, and so long as the lien or charge resulting from the nonpayment or non-discharge of such tax, assessment, charge, levy, or claim shall not, individually or in the aggregate, have a Material Adverse Effect.
- (vi) cause AMD Saxonia to preserve and maintain its existence as a Limited Partnership, rights, privileges, and franchises in the jurisdiction of its incorporation, and cause AMD Saxonia to not have operations in any other jurisdiction.
- (vii) comply in all material respects with all laws, rules, regulations, and governmental orders (federal, state, local, and foreign) having applicability to it or to the business or businesses at any time conducted by each of the Additional Partner Companies except to the extent that any such noncompliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

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- (viii) promptly following a request from the Security Agent to do so and at the Additional Partner Companies' own expense, take all such lawful action as the Security Agent may reasonably request to enforce or secure the performance by each other AMD Company under any Operative Document to which the Additional Partner Companies are a party of such AMD Company's respective obligations under and in connection with the applicable Operative Document in accordance with the respective terms thereof, and exercise any right of termination or remedy available to the Additional Partner Companies thereunder or in connection therewith to the extent and in the manner reasonably directed by the Security Agent, including, without limitation, the institution of legal or administrative actions or proceedings to compel or enforce performance by each other AMD Company of its respective obligations thereunder, or to recover any payment due the Additional Partner Companies thereunder.
 - (ix) keep, or cause to be kept, adequate records and books of account, in which complete entries are to be made reflecting its business and financial transactions, such entries to be made in accordance with GAAP consistently applied in the case of financial transactions or as otherwise required by applicable rules and regulations of any governmental agency or regulatory authority (federal, state, local or foreign) having jurisdiction over the Additional Partner Companies, or the transactions contemplated by this Agreement or the other Operative Documents to which it is or will be a party.
 - (x) maintain, obtain or effect all Governmental Approvals which may at any time or from time to time be necessary for the due authorization, execution, delivery, performance, legality, validity, or enforceability of each of the Operative Documents to which it is or will be a party.
 - (xi) with respect to AMD Admin, promptly pay proceeds from any tax refunds to AMD Saxonia.
 - (xii) following the Conversion, promptly execute a declaration of liability substantially in the same form attached as Appendix Four to the SAB/Dresdner Subsidy Agreement, amended to reflect the addition of the Additional Partner Companies and promptly deliver or cause to be delivered, to the Agent the original executed version of the Power of Attorney referred to in para (xxiii) of the definition of Conversion Documents which shall be held by the Agent in accordance with the Operative Documents.

SECTION 13.7 *Negative Covenants of the Additional Partner Companies.* The Additional Partner Companies, jointly and severally agree, so long as any Primary Secured Obligation shall remain outstanding or any Bank shall have any commitment under or arising out of the Loan Agreement, that neither AMD Admin nor (prior to the Substitution (if any)) AMD Saxony LLC will, unless the Security Agent shall have enforced any of the Security or the Agent (acting on the instructions of an Instructing Group) shall have otherwise consented in writing:

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- (i) terminate, amend or modify, or agree to the termination, amendment or modification, of any Operative Document to which it is a party.
 - (ii) engage in any activities other than those contemplated by the Operative Documents to which it is a party or the transactions contemplated thereby and activities reasonably incidental thereto.
 - (iii) create, incur, assume, or suffer to exist any Encumbrance in, upon, or with respect to any of its properties or assets, whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income to secure any obligation, except as contemplated by (1) the AMD Saxony LLC Security Documents, (2) the AMD Admin Security Documents and (3) for Permitted Encumbrances.
 - (iv) create, incur, assume, or suffer to exist any Indebtedness, whether current or funded, except current accounts and other amounts payable in the ordinary course of business, and except to the extent contemplated by the Operative Documents.
 - (v) create, incur, assume, or suffer to exist any obligations as lessee for the rental or hire of real or personal property of any kind whatsoever.
 - (vi) assume, guarantee, or endorse, or otherwise become directly or contingently liable in respect of, any obligation of any Person, except pursuant to the Operative Documents to which it is a party.
 - (vii) merge with or into or consolidate with any Person, or, acquire, lease, or purchase, all or substantially all of the assets or stock of any class of, or any partnership or joint venture interest in, any Person, or create or acquire any Subsidiary, except for AMD Saxonia.
 - (viii) sell, lease, assign, transfer, or otherwise dispose of any of its assets, including its accounts receivable, except as contemplated by the Operative Documents or in connection with the Conversion and the Substitution (if any); or issue or sell any shares of any class of its capital stock to any Person except, with respect to AMD Saxony LLC, to AMD Inc. and except, with respect to AMD Admin, to AMD Holding in accordance with the Conversion Documents.
 - (ix) make any loan or advance or extend any credit to any Person other than AMD Saxonia, or purchase or otherwise acquire the capital stock or obligation of, or any investment in, any Person other than AMD Saxonia, and in each case other than Cash Equivalent Investments which have been pledged to the Security Agent pursuant to the relevant Security Documents.
 - (x) apply for or become liable with respect to any letter of credit or acceptance financing; or enter into or become liable with respect to any interest or currency swap, hedge, exchange, or other similar obligation.
 - (xi) purchase any shares of, or interest in, any Person, other than, with respect to AMD Saxony LLC, the re-transfer of Euro 250 partnership interest in AMD

Saxonia in connection with the Conversion, or redeem any of its shares, declare or pay any dividend thereon or make any distribution to its shareholders, except for any such redemption or distribution made as a result of the transactions contemplated by Section 6.3 or as otherwise contemplated by the Operative Documents; or accept any distributions or accept any payments of profits (*Gewinnanspruch*) including but not limited to, any and all rights and claims arising in connection with the capital accounts (*Kapitalkonten*), loan accounts (*Darlehenskonten*), and the private accounts (*Privatkonten*) of any partner (*Gesellschafter*), any claim to a distribution-quote (*Auseinandersetzungsanspruch*) including but not limited to any compensation in case of termination (*Auflösung*), in particular claims for liquidation proceeds (*Liquidationserlös*), withdrawal (*Ausscheiden*) of a partner, repaid capital in case of a capital decrease (*Herabsetzung der Einlage oder der Pflichteinlage*), repayment of capital (*Rückzahlung von Einlagen*) or any other pecuniary claims (*geldwerte Forderungen*) from AMD Saxonia, except for any such distribution or payment of profits made as a result of the transactions contemplated by Section 6.3 or as otherwise contemplated by the Operative Documents.

- (xii) pay any salary, compensation, or bonus of any character to any officer, director, or employee of the Additional Partner Companies or provide any such Person with any medical, surgical, dental, hospital, disability, unemployment, retirement, pension, vacation, or insurance benefit of any kind or adopt, establish, or maintain any plan, fund, or program to provide any such benefit.
- (xiii) enter into any transaction with AMD Inc. or an Affiliate thereof (other than AMD Saxonia) on a basis materially less favourable to the Additional Partner Companies than would be the case if such transaction had been effected with a Person other than AMD Inc. or an Affiliate thereof.
- (xiv) open or maintain a bank account with any Person, except for demand or other deposit accounts at the Agent and at Security Agent.
- (xv) amend or modify the Organizational Documents of AMD Saxonia or the Additional Partner Companies.
- (xvi) issue any power of attorney or other contract or agreement giving any Person power or control over the day-to-day operations of the Additional Partner Companies' business, except as contemplated by the Operative Documents.
- (xvii) commence, or join with any other creditor in commencing, any bankruptcy, reorganization, or insolvency proceeding with respect to AMD Saxonia or AMD Inc.
- (xviii) enter into any agreement other than as contemplated by the Operative Documents to which it is or will be a party or under any instrument or document delivered or to be delivered by it hereunder or thereunder, or in connection herewith or therewith.

(xix) make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change its Fiscal Year.

(xx) with respect to AMD Saxony LLC, conduct any activities other than as general partner of AMD Saxonia or with respect to AMD Admin, conduct any activities other than as limited partner of AMD Saxonia (and as substitute general partner of AMD Saxonia, following the Substitution (if any)).

SECTION 13.8 *Recourse to AMD Inc. for Breach of Covenant.* It is expressly understood and agreed by the parties hereto that the obligations of AMD Saxonia under the Loan Agreement are intended to be limited recourse obligations from the perspective of AMD Inc. and that the covenants of the Sponsors and the Additional Partner Companies contained in this Article XIII are not intended to represent a guaranty of AMD Saxonia's obligations under the Loan Agreement. Accordingly, (i) neither AMD Inc. nor its assets (other than its interests in AMD Holding and AMD Saxony LLC) shall be exposed to liability (whether in damages or otherwise) for breach of any covenant contained in this Article XIII to the extent that such damages would otherwise result in AMD Inc. incurring greater financial exposure than the aggregate amount otherwise agreed to be payable by AMD Inc. pursuant to this Agreement and the other Operative Documents, and (ii) neither AMD Holding nor any Additional Partner Company shall have any right of contribution against AMD Inc. arising from any payment made by AMD Holding or such Additional Partner Company under this Agreement or the Sponsors' Guaranty to the extent that AMD Inc. provides funds for the purpose of such payment by contributions to AMD Holding's or such Additional Partner Company's stated capital or capital reserves and/or by loans to AMD Holding or such Additional Partner Company; provided, however, that the provisions of this Section 13.8 shall not be construed to absolve AMD Inc. for its liability, whether in damages or otherwise, for actions or omissions constituting fraud or misrepresentation or breach of warranty; and provided, further that the provisions of this Section 13.8 shall not preclude the Security Agent from seeking temporary relief (if otherwise available) for any prospective breach by AMD Inc. of its covenants contained in this Article XIII.

ARTICLE XIV

Costs and Expenses; Indemnities; Taxes; Etc.

SECTION 14.1 *Costs and Expenses.* The Sponsors, jointly and severally, agree to pay (to the extent not previously paid by AMD Saxonia promptly following a demand by the Agent therefor, it being understood and agreed that the Agent will demand such payment for the costs and expenses of the preparation of this Agreement) all costs and expenses (including reasonable legal fees and expenses) of the Agent, the Security Agent, and the Paying Agent in connection with the negotiation, preparation, execution, and delivery of this Agreement, any amendments or modifications of (or supplements to) this Agreement, and any and all other documents furnished pursuant hereto or in connection herewith, as well as all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) if any, in connection with the enforcement of this Agreement or any other agreement furnished by them prior to the enforcement by the Security Agent of any of the Security pursuant hereto or in connection herewith.

SECTION 14.2 *General Indemnity.* The Sponsors, jointly and severally, hereby agree to indemnify, exonerate, and hold the Agent, the Security Agent, and the Paying Agent, and each of

the officers, directors, employees of the Agent, the Security Agent, and the Paying Agent (herein collectively called the “Indemnitees”) free and harmless from and against any and all actions, claims, losses, liabilities, damages, and expenses, including, without limitation, reasonable legal fees and expenses (herein collectively called the “Indemnified Liabilities”), which may be incurred by or asserted against the Indemnitees or any Indemnitee as a result of, or arising out of, or relating to, or in connection with:

- (i) the failure by either Sponsor or the relevant Additional Partner Company to comply with its respective obligations under this Agreement, the Conversion Documents, the Amendment Agreements, the Sponsors’ Guaranty, the Sponsors’ Loan Agreement and the Revolving Loan Facility Agreement (subject, in the case of Indemnified Liabilities arising from Article XIII, to the provisions of Section 13.8);
- (ii) the inaccuracy by either Sponsor of any of its representations and warranties contained in any of the Operative Documents to which it is a party as and when made or reaffirmed as the case may be (provided that AMD Inc. shall have no liability under this Section 14.2 in respect of any inaccuracy by AMD Holding of the representation and warranty contained in Section 12.2 (xi)); and
- (iii) any investigation, litigation, or proceeding related to this Agreement or the consummation of the transactions contemplated hereby, whether or not any such Indemnitee is a party thereto, and, to the extent that the foregoing undertaking may be unenforceable for any reason, the Sponsors, jointly and severally, hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

In no event shall AMD Inc. indemnify the Indemnitees against any liabilities of AMD Saxony LLC or, following the Substitution, AMD Admin, arising solely by virtue of AMD Saxony LLC, or, following the Substitution, AMD Admin, being generally liable for the obligations of AMD Saxonia as the general partner of AMD Saxonia.

SECTION 14.3 *Undertaking to Contribute.* AMD Inc. hereby undertakes that in the event:

- (i) Either: (A) a liability is imposed on AMD Saxonia, AMD Holding or AMD Admin as a result of the German tax authorities re-characterising interest on the Sponsors’ Loans or Revolving Loans as dividends; or (B) a liability is imposed on AMD Saxonia, AMD Holding or AMD Admin as a result of the German tax authorities ruling that AMD Saxonia, AMD Holding or AMD Admin, as the case may be, is not sufficiently profitable (any such liability referred to in (A) and (B) being together, the “Liabilities”), and, in the case of either (A) or (B)
- (ii) AMD Saxonia, AMD Holding and/or AMD Admin make payments to the German tax authorities in respect of the Liabilities as required by German law,

AMD Inc. shall advance Sponsors’ Loans to AMD Saxonia or contribute Equity Capital (or other contributions to AMD Saxonia’s capital reserves) to AMD Holding (and AMD Inc. shall to the extent necessary and depending on where the Liability arises, contribute sufficient funds or

otherwise cause sufficient funds to be made available, to AMD Holding as shall be necessary to enable AMD Holding to so contribute to AMD Saxonia and AMD Inc. shall cause AMD Holding to do the same) in an amount equal to the amounts paid by AMD Saxonia (including payments by AMD Saxonia to AMD Holding or AMD Admin) in respect of the Liabilities, as follows:

To the extent AMD Saxonia has drawn all amounts available for drawing under the Revolving Loan Facility Agreement prior to the payment of such Liabilities, such Sponsors' Loans or Equity Capital contribution shall be made at the same time as the payment of the Liabilities.

To the extent AMD Saxonia has not drawn all amounts available for drawing under the Revolving Loan Facility Agreement prior to the payment of such Liabilities, such Sponsors' Loans or Equity Capital contribution shall be made at the time that AMD Saxonia draws all amounts available for drawing under the Revolving Loan Facility Agreement.

SECTION 14.4 *SAB Related Agreements Indemnity*. The Sponsors, jointly and severally, hereby agree to indemnify, exonerate, and hold the Agent, and each of the officers, directors, employees of the Agent (herein collectively called the "SAB Indemnitees") free and harmless from and against any and all actions, claims, losses, liabilities, damages, and expenses, including, without limitation, reasonable legal fees and expenses (herein collectively called the "Indemnified SAB Liabilities"), which may be incurred by or asserted against the SAB Indemnitees or any SAB Indemnitee as a result of, or arising out of, or relating to, or in connection with, the SAB Related Agreements (other than any such Indemnified SAB Liabilities finally determined by a court of competent jurisdiction to have resulted from the gross negligence or wilful misconduct of an SAB Indemnitee), and, to the extent that the foregoing undertaking may be unenforceable for any reason, the Sponsors, jointly and severally, hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified SAB Liabilities which is permissible under applicable law.

SECTION 14.5 *Payments Free and Clear of Taxes, etc.* Each of the Sponsors and Additional Partner Companies hereby agree that:

- (a) All payments by such Sponsor or Additional Partner Company hereunder shall be made to the Person entitled thereto in Same Day Funds, free and clear of and without deduction for any present or future income, excise, stamp, or franchise taxes and other taxes, fees, duties, withholdings, or other charges of any nature whatsoever imposed by any taxing authority on such payments, but excluding taxes imposed on or measured by such Person's net income or receipts or the net income or receipts of any branch thereof (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by either of the Sponsors or the Additional Partner Companies hereunder is required in respect of any Taxes pursuant to any applicable law, rule, or regulation, then such Sponsor or Additional Partner Company will, subject to Section 14.5(d),

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- (i) pay directly to the relevant authority the full amount required to be so withheld or deducted;
 - (ii) promptly forward to such Person (with a copy to the Security Agent) an official receipt or other documentation satisfactory to the Security Agent evidencing such payment to such authority; and
 - (iii) pay to such Person such additional amount or amounts as is necessary to ensure that the net amount actually received by such Person will equal the full amount such Person would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against any Person entitled to receive a payment under this Agreement with respect to any payment received by such Person hereunder, such Person may pay such Taxes and the Sponsors or Additional Partner Companies will promptly pay such additional amounts (including any penalties, interest, or expenses, but only (in the case of penalties or interest) to the extent not resulting from a negligent or wilful failure to pay any or all of such Taxes by such Person, as the case may be) as is necessary in order that the net amount received by such Person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had no such Taxes been asserted.

- (b) The additional amount or amounts that either Sponsor or Additional Partner Company shall be required to pay pursuant to clause (iii) of Section 14.5(a) shall be reduced, to the extent permitted by applicable law, by the amount of the offsetting tax benefits, if any, as determined by the relevant Person in the exercise of its sole discretion, which such Person actually receives and utilises as a result of such Sponsor's or Additional Partner Company's payment under clause (i) of Section 14.5(a) to the relevant authority (it being expressly understood and agreed that such Person shall be required to use commercially reasonable efforts to claim or utilise any such benefit which may be available to it unless it believes in good faith that to do so would be inconsistent with its internal tax and other policies or if, in its good faith judgment, it would be disadvantaged in any respect with respect to its tax position or planning).
- (c) Subject to the relevant Person complying with Section 14.5(d) below, if any of the Sponsors or Additional Partner Companies fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the applicable recipient hereunder the required receipts or other required documentary evidence, such Sponsor or Additional Partner Company shall indemnify such Person for any incremental Taxes, interest, or penalties that may become payable by such Person as a result of any such failure.
- (d) Each Person entitled to receive a payment hereunder that is entitled to claim an exemption (either on its own account or for the account of the

relevant Sponsor or Additional Partner Company) in respect of all or a portion of any Taxes which are otherwise required to be paid or deducted or withheld pursuant to this Section 14.5 in respect of any payments made by a Sponsor or Additional Partner Company hereunder shall, within a reasonable time after receiving a written request from such Sponsor or Additional Partner Company, provide such Sponsor or Additional Partner Company with such certificates as may be appropriate in order to obtain the benefits of such exemption.

- (e) Without prejudice to the survival of any other agreement of the Sponsors or the Additional Partner Companies hereunder, the agreements and obligations of the Sponsors or Additional Partner Companies contained in this Section 14.5 shall survive the payment in full of the principal of and interest on the loans and other financial accommodations made to AMD Saxonia under the Loan Agreement.

SECTION 14.6 *Judgment*. The Sponsors and Additional Partner Companies hereby agree that:

- (a) If, for the purposes of obtaining a judgment in any court, it is necessary to convert a sum due hereunder in Euro into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Security Agent could purchase Euro with such other currency on the Business Day preceding that on which final judgment is given.
- (b) The obligation of each of the Sponsors or the Additional Partner Companies in respect of any sum due from it to the Security Agent, the Agent, the Paying Agent, or any Bank hereunder shall, notwithstanding any judgment in a currency other than Euro be discharged only to the extent that on the Business Day following receipt by the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, of any sum adjudged to be so due in such other currency, the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, may, in accordance with normal banking procedures, purchase Euro with such other currency; in the event that the Euro so purchased are less than the sum originally due to the Security Agent, the Agent, the Paying Agent, or any Bank, in Euro, such Sponsor or Additional Partner Company, as a separate obligation and notwithstanding any such judgment, hereby indemnifies and holds harmless the Security Agent, the Agent, the Paying Agent, and each Bank against such loss, and if the Euro so purchased exceed the sum originally due to the Security Agent, the Agent, or such Bank in Euro, the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, shall remit to the relevant Sponsor or Additional Partner Company such excess.

SECTION 14.7 *License Agreement*. With respect to the License Agreement,

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- (a) AMD Inc. hereby waives, and agrees to cause each of its Subsidiaries other than AMD Saxonia to waive, any and all rights, claims and/or causes of action such Person now has or in the future may have against AMD Saxonia, its successors and assigns, the Agent, the Security Agent, the Paying Agent, any Bank, any receiver appointed to operate the Plant, or a third party purchaser of the capital stock, or of all or substantially all of the assets, of AMD Saxonia (herein collectively referred to as the "Beneficiaries" and individually as a "Beneficiary"), based on: (i) its use, in any manner whatsoever, of any Non-Proprietary Know-how or of Information Residuals (as such terms are defined in the License Agreement); (ii) its use, within the scope of the license granted in Section 3(a) of the License Agreement, of the Developed Intellectual Property (as defined in the License Agreement), or (iii) its use, in any manner whatsoever, of Post Research Agreement AMD Saxonia Developed Improvements or Post Research Agreement AMD Saxonia Developed Intellectual Property (as such terms are defined in the License Agreement). The preceding sentence notwithstanding, AMD Inc. does not waive any rights, claims or causes of action based on the infringement and/or misappropriation of any patents, copyrights, mask works, trademarks and trade secrets, whether registered or not, which are owned by AMD Inc. or by an Affiliate of AMD Inc. other than AMD Saxonia and not licensed to AMD Saxonia under the License Agreement; provided, however, that the use of Information Residuals (as so defined) shall not be deemed to constitute an infringement and/or misappropriation of any intellectual property rights of AMD Inc. or any of its Subsidiaries (other than AMD Saxonia).
- (b) each Sponsor hereby acknowledges and agrees that, following the termination of the AMD Saxonia Wafer Purchase Agreement, the operation of the Plant by AMD Saxonia, its successors and assigns, or by a Beneficiary shall not, absent a separate infringement or other unlawful violation, under the License Agreement or otherwise, of a proprietary, substantial, and identifiable right of AMD Inc., or any of its Subsidiaries other than AMD Saxonia, constitute: (i) a breach of the terms of the License Agreement or of any of the Service Agreements (as defined in the License Agreement), or (ii) an infringement upon any intellectual property right of AMD Inc. or its Subsidiaries other than AMD Saxonia; and
- (c) except where such failure was due to a breach by AMD Saxonia of its covenants to cooperate with AMD Inc., if AMD Inc. fails to complete the document removal process set forth in Section 9 of the License Agreement within the period required therein following the termination of the AMD Saxonia Research Agreement, AMD Inc. and its Subsidiaries other than AMD Saxonia shall be deemed to have waived any and all rights, claims and/or causes of action they have or in the future may have against AMD Saxonia, its successors and assigns, or against a Beneficiary based on the disclosure or use, for any purpose, by such Person of any documentation

left in the Plant on the grounds that such documentation or the information contained therein is proprietary to AMD Inc. or its Affiliates or Subsidiaries other than (in either case) AMD Saxonia.

ARTICLE XV
Miscellaneous

SECTION 15.1 *No Waiver; Modifications in Writing.* No failure or delay on the part of the Agent or the Security Agent in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Agent or the Security Agent at law or otherwise. No amendment, modification, supplement, termination, or waiver of or to any provision of this Agreement, or consent to any departure by either Sponsor therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Agent and the Security Agent. Any waiver of any provision of this Agreement, and any consent to any departure by either Sponsor from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on either Sponsor in any case shall entitle such Sponsor to any other or further notice or demand in similar or other circumstances.

SECTION 15.2 *Severability of Provisions.* In case any provision of this Agreement is invalid or unenforceable, the validity or enforceability of the remaining provisions hereof shall remain unaffected. The parties hereto shall have an obligation to replace any invalid or unenforceable provision by a valid and enforceable provision which approximates best the economic purpose of the invalid provision.

SECTION 15.3 *Termination.* This Agreement and the obligations of the parties hereunder shall terminate on the day that AMD Saxonia has paid in full all of the Primary Secured Obligations, and the Banks shall have no other or further commitments under the Loan Agreement; provided, that such obligations shall automatically revive and be reinstated if and to the extent that AMD Saxonia shall subsequently have obligations to any Secured Party under or in connection with any of the Operative Documents.

SECTION 15.4 *Assignment.* This Agreement shall be binding upon and shall inure to the benefit of each party hereto and their respective successors and assigns; provided that neither AMD Inc. nor AMD Holding nor the Additional Partner Companies shall have the right to transfer or assign their respective rights under this Agreement without the prior written consent of the Agent and the Security Agent.

SECTION 15.5 *Notice.* All notices, demands, instructions, and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be personally delivered or sent by registered or certified mail, postage pre-paid, return receipt requested, or by pre-paid telex, TWX, or telegram, or by pre-paid courier service, or by telecopier, and shall be deemed to be given for purposes of this Agreement on the day that such writing is delivered or sent to the intended recipient thereof in accordance with the provisions of this Section 15.5. Unless otherwise specified in a notice sent or delivered in accordance with the

foregoing provisions of this Section 15.5, notices, demands, instructions, and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) indicated below.

To the Security Agent:

Dresdner Bank AG, as Security Agent
Ostra Allee 9
01067 Dresden
Attention: Herr Hans-Jürgen Hansen/Frau Heike Wetzel
Facsimile No.: (49) 351 489-1300

To the Agent:

Dresdner Bank Luxembourg S.A., as Agent
26, rue du Marché-aux-Herbes
L-2097 Luxembourg
Attention: Agencies
Facsimile No.: (352) 4760-43222

To AMD Inc.:

Advanced Micro Devices, Inc.
One AMD Place
Sunnyvale, California 94088
Attention: General Counsel
Facsimile No.: (1) (408) 749-3945

To AMD Holding:

AMD Saxony Holding GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsführer
Facsimile No.: 49 351 277 91300

To AMD Admin:

Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsführer
Facsimile No.: 49 351 277 91300

To AMD Saxony LLC:
One AMD Place
Mailstop150
Sunnyvale, California 94088
Attention: Manager
Facsimile No.: (408) 774 7399

SECTION 15.6 *Relationship to Other Agreements.* The rights of the Agent and the Security Agent pursuant to this Agreement are in addition to any other rights or remedies which the Agent and the Security Agent may have under statutory law or other agreements between one or more of the Agent, the Security Agent, the Banks, and AMD Inc. or AMD Holding or the Additional Partner Companies.

SECTION 15.7 *Effectiveness of Agreement; Survival; Expiry of Obligation.* This Agreement shall not be effective for any purpose whatsoever prior to the execution and delivery of the Loan Agreement by each of AMD Saxonia and the Agent. Subject to Section 15.3 hereof, the obligations of the Sponsors under this Agreement shall terminate, except as otherwise provided herein, upon the payment in full of all of the Primary Secured Obligations to the Secured Parties under or in connection with the Financing Documents and the Security Documents, and the expiration or termination of all of their respective commitments thereunder (the "Loan Agreement Termination Date"); provided, however, that the obligations of the Sponsors contained in Article XIV hereof shall survive any termination of this Agreement. Except as provided in Section 2.4 of the Sponsors' Guaranty, the obligations of the Sponsors under the Sponsors' Guaranty shall expire on the Loan Agreement Termination Date.

SECTION 15.8 *EMU.* All amounts in the Financing Documents, the Operative Documents, the Project Agreements and the Amendment Agreements denominated in Deutsche Mark shall be converted into Euro based on the officially fixed rate of conversion established in connection with the introduction of the Euro as the single currency of the Member States participating in the European Economic and Monetary Union. Such conversion shall be effective as of the date on which the Deutsche Mark is replaced by such single currency.

ARTICLE XVI
Governing Law, Jurisdiction, and Language

SECTION 16.1 *Governing Law.* The form and execution of this Agreement and all rights and obligations of the parties arising hereunder shall be governed by the Laws of the Federal Republic of Germany.

SECTION 16.2 *Jurisdiction.* Each of AMD Inc., AMD Admin, AMD Saxony LLC and AMD Holding hereby submits to the exclusive jurisdiction of the courts in Frankfurt am Main for any dispute arising out of or in connection with this Agreement. AMD Inc. and AMD Saxony LLC state that Advanced Micro Devices GmbH, whose address is Rosenheimerstrasse 143b, 81671 Munich, Germany, Attention: Legal Department, Tel: +49 89 450 530, Fax: +49 89 406 490, Telex: 841523883, is their respective accredited agent for service of process and hereby

undertake to maintain an agent for service in Germany. The foregoing submission to jurisdiction shall not (and shall not be construed so as to) limit the rights of the Agent or the Security Agent to take suits, actions, or proceedings against a Sponsor or AMD Admin or AMD Saxony LLC to enforce any judgment rendered by the courts in Frankfurt am Main in any other court or entity of competent jurisdiction where such Sponsor or AMD Admin or AMD Saxony LLC, as the case may be, has assets, nor shall the taking of suits, actions, or proceedings to enforce any such judgment in one or more jurisdictions preclude the taking of enforcement proceedings in any other jurisdiction, whether concurrently or not.

SECTION 16.3 *Use of English Language.* This Agreement has been executed in the English language. All certificates, reports, notices, and other documents and communications given or delivered pursuant to this Agreement shall be in the English language and, if reasonably requested by the Agent, shall be accompanied by a certified German translation thereof. In the event of any inconsistency, the English language version of any such document shall control.

IN WITNESS WHEREOF, each of the parties set out below has caused this Agreement 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: _____

Its: _____

AMD SAXONY HOLDING GMBH

By: _____

Its: _____

AMD SAXONY ADMIN GMBH

By: _____

Its: _____

AMD SAXONY LLC

By: _____

Its: _____

DRESDNER BANK LUXEMBOURG S.A.,
As Agent

By: _____

Its: _____

DRESDNER BANK AG,
as Security Agent

By: _____

Its: _____

SECOND AMENDMENT

TO

SPONSORS' GUARANTY (GARANTIEVERTRAG)

THIS SECOND AMENDMENT (this "Amendment Agreement"), dated 20 December 2002, 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."), AMD SAXONY HOLDING 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 in such capacity) for the Banks under the Loan Agreement referred to below (in such capacity, the "Agent"), and DRESDNER BANK AG, as Security Agent under such Loan Agreement (in such capacity, the "Security Agent"), for the Secured Parties under such Loan Agreement.

WITNESSETH:

WHEREAS, AMD Saxony Limited Liability Company & Co. KG, Dresden (formerly AMD Saxony Manufacturing GmbH), registered in the Commercial Register of the Dresden County Court HRA 4896 ("AMD Saxonia"), 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 a Syndicated Loan Agreement, dated 11 March 1997, as amended, (the "Loan Agreement") with the Agent, the Security Agent and the Banks from time to time party thereto providing, inter alia, for a senior secured term facility aggregating up to DM 1,500,000,000 (one billion five hundred million Deutsche Marks), and (ii) the Sponsors, the Additional Partner Companies (as defined therein), the Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997, as amended, (the "Sponsors' Support Agreement") providing certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, the Sponsors, the Agent and the Security Agent wish to amend the Sponsors' Guaranty dated 11 March 1997 between AMD Inc., AMD Holding, the Agent and the Security Agent, as amended on 20 February 2001 (as amended, the "Sponsors' Guaranty"), on the terms and subject to the conditions of this Amendment Agreement;

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 Agreement are used with the definitions assigned to them in the Sponsors' Support Agreement.

SECTION 1.2 *Construction*. In this Amendment Agreement, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Guaranty. Section headings are inserted for reference only and shall be ignored in construing this Amendment Agreement.

ARTICLE II
Amendments

SECTION 2.1 *Amendments*. With effect from the date hereof, the Sponsors' Guaranty shall be amended and restated in its entirety in the form set out in Schedule 1 to this Amendment Agreement.

ARTICLE III
Miscellaneous

SECTION 3.1 *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 Agreement and to consummate the transactions contemplated by the Sponsors' Guaranty, as amended hereby;
- (b) *Corporate Authority; No Conflict*. The execution and delivery by it of this Amendment Agreement, and the performance by it of its obligations under the Sponsors' Guaranty, as amended by this Amendment Agreement, 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' Guaranty, as amended by this Amendment Agreement, constitutes its legal, valid and binding obligations, enforce-

able 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 *Repetition of Representation and Warranties*. The representations and warranties contained in Sections 12.1 and 12.2 of the Sponsors' Support Agreement shall be repeated by AMD Inc. and by the Sponsors, respectively on the date hereof except to the extent any such representation and warranty expressly relates solely to an earlier date.

SECTION 3.3 Miscellaneous.

- (a) This Amendment Agreement is limited as specified and, except as expressly herein provided, shall not constitute a modification, amendment or waiver of any other provision of any other Operative Document. Except as specifically amended by this Amendment Agreement, the Sponsors' Guaranty shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment Agreement shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) This Amendment Agreement has been executed in the English language.
- (d) This Amendment Agreement 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.
- (e) Sections 15.1, 15.2, 15.5, 16.1, 16.2, and 16.3 of the Sponsors' Support Agreement shall apply, *mutatis mutandis*, to this Amendment Agreement, as if set out herein in full.

[Remainder of page intentionally left blank]

Schedule 1

Amended and Restated Sponsors' Guaranty

SCHEDULE 1

Amended and Restated

SPONSORS' GUARANTY (GARANTIEVERTRAG)

THIS SPONSORS' GUARANTY, dated 11 March 1997, as amended, is made by 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."), and AMD SAXONY HOLDING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 13931 ("AMD Holding"; and, together with AMD Inc., collectively, the "Sponsors"), in favour of DRESDNER BANK LUXEMBOURG S.A. ("Dresdner"), as Agent (and successor to Dresdner Bank AG in such capacity) for the Banks under the Loan Agreement referred to below (in such capacity, the "Agent") and DRESDNER BANK AG, as Security Agent under such Loan Agreement (in such capacity, the "Security Agent") for the Secured Parties under such Loan Agreement.

WITNESSETH :

WHEREAS, AMD Saxony Limited Liability Company & Co. KG, Dresden (formerly AMD Saxony Manufacturing GmbH), registered in the Commercial Register of the Dresden County Court HRA 4896 ("AMD Saxonia"), has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center (the construction, ownership, and operation of the Plant and the Design Center being hereinafter called the "Project");

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, (i) the Sponsors have made, and expect to make, substantial subordinated loans to, and AMD Holding has made, and from time to time, may make, substantial equity investments in, AMD Saxonia, and (ii) AMD Saxonia has entered into a Syndicated Loan Agreement, dated 11 March 1997, as amended, (the "Loan Agreement"), with the banks from time to time party thereto (hereinafter collectively called the "Banks" and individually called a "Bank"), Dresdner, as Agent and Paying Agent (in such capacity, the "Paying Agent"), and Dresdner Bank AG, as Security Agent providing, inter alia, for a senior secured term facility aggregating up to DM 1,500,000,000 (one billion five hundred million Deutsche Marks);

WHEREAS, the Sponsors have agreed to enter into this Guaranty in favour of the Agent and the Security Agent for the benefit of the Banks and the Paying Agent (the Agent, the Security Agent, the Banks and the Paying Agent hereinafter collectively called the "Secured Parties" and individually called a "Secured Party"), for the purpose, among other things, of providing certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, a condition precedent to the initial Advance is, inter alia, the execution by the Sponsors of this Guaranty, and, in extending or continuing to extend credit to AMD Saxonia under the Loan Agreement, the Banks are relying on the undertakings of the Sponsors contained herein;

WHEREAS, the Sponsors have duly authorized the execution, delivery, and performance of this Guaranty; and

WHEREAS, it is in the best interests of the Sponsors to execute this Guaranty inasmuch as the Sponsors will derive substantial benefits from the loans and other financial accommodations made from time to time to AMD Saxonia by the Banks pursuant to the Loan Agreement.

NOW, THEREFORE, in order to induce the Banks to make the loans and other financial accommodations to AMD Saxonia pursuant to the Loan Agreement, the Sponsors hereby agree, for the benefit of the Secured Parties, as follows:

ARTICLE I
Definitions and Accounting Terms

SECTION 1.1 *Definitions*. Unless otherwise defined herein, terms used herein have the meanings assigned to such terms in the Sponsors' Support Agreement. In addition, the following terms (whether or not underlined) when used in this Guaranty, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

“Agent” has the meaning assigned to such term in the introduction to this Guaranty.

“AMD Holding” has the meaning assigned to such term in the introduction to this Guaranty.

“AMD Inc.” has the meaning assigned to such term in the introduction to this Guaranty.

“AMD Saxonia” has the meaning assigned to such term in the first recital of this Guaranty.

“Bank” and “Banks” have the respective meanings assigned to such term in the second recital of this Guaranty.

“Dresdner” has the meaning assigned to such term in the introduction to this Guaranty.

“Guaranty” means this Sponsors' Guaranty, as the same may at any time be amended or modified in accordance with the terms hereof and in effect.

“Loan Agreement” has the meaning assigned to such term in the second recital of this Guaranty.

“Paying Agent” has the meaning assigned to that term in the second recital of this Guaranty.

“Project” has the meaning assigned to such term in the first recital of this Guaranty.

“Security Agent” has the meaning assigned to such term in the introduction to this Guaranty.

“Secured Parties” and “Secured Party” have the respective meanings assigned to such terms in the third recital of this Guaranty.

“Sponsors” has the meaning assigned to such term in the introduction to this Guaranty.

“Sponsors’ Support Agreement” means the Sponsors’ Support Agreement, of even date herewith, between the Sponsors, the Additional Partner Companies (as defined therein), the Agent, and the Security Agent, as the same may at any time be amended or modified in accordance with the terms thereof and in effect.

SECTION 1.2 *Miscellaneous*. In this Guaranty, unless the context requires otherwise, (i) any reference to an Operative Document shall be to such Operative Document as the same may have been or from time to time may be amended, varied, re-issued, replaced, novated or supplemented, in each case, in accordance with the terms thereof and hereof, and in effect; (ii) any statutory provision shall be construed as references to those provision as amended, modified, re-enacted, or replaced from time to time; (iii) words importing a gender include every gender and; (iv) references to Sections are to Sections of this Guaranty. Section headings are inserted for reference only and shall be ignored in construing this Guaranty.

ARTICLE II Guaranty Provisions

SECTION 2.1 *Guaranty*. The Sponsors, jointly and severally, hereby absolutely, unconditionally, and irrevocably (all of the following guaranteed and indemnified obligations referred to in sub-clauses (a) and (b) below being collectively called the “Guaranteed Obligations”)

- (a) guarantee the full and punctual payment when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand, or otherwise, of all obligations of AMD Saxonia now or hereafter existing under or arising out of the Loan Agreement, whether for principal, interest, fees, expenses, or otherwise, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent or now or hereafter existing or due or to become due (including in all cases all such amounts which would become due but for the operation of the United States Bankruptcy Code and Rules, including without limitation Section 362(a) of the United States Bankruptcy Code, 11 U.S.C. §362(a), and Sections 502(b) and 506(b) of the United States Bankruptcy Code, 11 U.S.C. §502(b) and §506(b)), and

- (b) indemnify and hold harmless each Secured Party for any and all costs and expenses (including reasonable attorney’s fees and expenses) incurred by

such Secured Party in enforcing any rights under this Guaranty in accordance with the terms hereof; provided, however, that the right of recovery against the Sponsors under this Guaranty is, however, limited to an amount equal to whichever is the greater of:

- (x) fifty per cent (50%) of the aggregate amount of all Guaranteed Obligations; and
- (y) Euro 111,205,984 (one hundred and eleven million two hundred and five thousand nine hundred and eighty four Euro);

plus, to the extent that any amount payable hereunder is not paid when due, interest on such amount from the date due until paid, calculated at the same per annum rate of interest as is from time to time applicable to the obligations guaranteed hereby, and plus all costs and expenses referred to in sub-clause (b) of this Section 2.1; provided that the aggregate amount payable by the Sponsors pursuant to this Section 2.1 shall not exceed Euro 300,000,000 (three hundred million Euro).

This Guaranty constitutes a guaranty of payment when due and not of collection, and the Sponsors specifically agree that it shall not be necessary or required that the Security Agent, the Agent, the Paying Agent, or any Bank exercise any right, assert any claim, or demand or enforce any remedy whatsoever against AMD Saxonia (or any other Person) before or as a condition to the obligations of the Sponsors hereunder.

For the avoidance of doubt, the obligations of the Sponsors under this Guaranty:

- (a) constitute a primary guaranty obligation (Garantievertrag) and not a surety guaranty obligation (Bürgschaft); and
- (b) are continuing obligations and shall remain in full force and effect until whichever is the earlier of (1) satisfaction in full of all Guaranteed Obligations and (2) payment in full by either Sponsor of all amounts payable under this Guaranty.

Subject to the limitations set forth in the proviso to this Section 2.1, the Sponsors shall pay the Guaranteed Obligations only upon first written demand from the Agent following the occurrence of an Event of Default and acceleration of the Advances under the Loan Agreement.

SECTION 2.2 *EMU*. To the extent that any of the Guaranteed Obligations are denominated in Deutsche Mark, conversion of any such Deutsche Mark amounts into Euro shall be based on the officially fixed rate of conversion established in connection with the introduction of the Euro as the single currency of the Member States participating in the European Economic and Monetary Union. Such conversion shall be effective as of the date on which the Deutsche Mark is replaced by such single currency.

SECTION 2.3 *Guaranty Absolute*. This Guaranty shall in all respects be a continuing, absolute, unconditional, and irrevocable guaranty of payment, and, subject to the provisions of Section 2.1 above, shall remain in full force and effect until all Guaranteed Obligations have

been paid in full, all obligations of the Sponsors hereunder shall have been paid in full, and the commitments of the Banks under and in connection with the Loan Agreement shall have terminated. Subject to Section 2.1 above, the Sponsors jointly and severally guarantee that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Agreement under which they arise, regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Security Agent, the Agent, or any Bank with respect thereto. The liability of the Sponsors under this Guaranty shall be joint and several and shall be continuing, absolute, unconditional, and irrevocable irrespective of:

- (a) any lack of validity, legality, or enforceability of the Loan Agreement or any other Operative Document;
- (b) the failure of the Security Agent, the Agent, the Paying Agent, or any Bank:
 - (i) to assert any claim or demand or to enforce any right or remedy against AMD Saxonia or any other Person (including any other guarantor) under or in connection with the provisions of the Loan Agreement, any other Operative Document, or otherwise, or
 - (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Guaranteed Obligations;
- (c) any change in the time, manner, or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other extension, compromise, or renewal of any Guaranteed Obligation;
- (d) any reduction, limitation, impairment, or termination of any Guaranteed Obligations for any reason, including any claim of waiver, release, surrender, alteration, right of retention or compromise, and shall not be subject to (and the Sponsors hereby waive any right to or claim of) any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality, non-genuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Guaranteed Obligations;
- (e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of the Loan Agreement or any other Operative Document;
- (f) any addition, exchange, release, surrender, or non-perfection of any collateral, or any amendment to or waiver or release or addition of, or consent to departure from, any other guaranty, held by the Security Agent, the Agent, the Paying Agent, or any Bank securing any of the Guaranteed Obligations; or
- (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, AMD Saxonia, any surety (Bürge), or any guarantor.

SECTION 2.4 *Reinstatement, etc.* Each of the Sponsors agrees that, subject to the provisions of the proviso to Section 2.1 hereof, this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Guaranteed Obligations is rescinded or must otherwise be restored by any Secured Party, upon the insolvency, bankruptcy, or reorganization of AMD Saxonia, or otherwise, as though such payment had not been made.

SECTION 2.5 *Waiver, etc.* Each of the Sponsors hereby waives promptness, diligence, notice of acceptance, and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Security Agent, the Agent, the Paying Agent, or any Bank protect, secure, perfect, or insure any security interest or lien, or any property subject thereto, or exhaust any right or take any action against AMD Saxonia or any other Person (including any other guarantor) or any collateral securing any Guaranteed Obligations. Each of the Sponsors hereby further waives its right to deposit (Hinterlegung) under § 372 of the German Civil Code.

SECTION 2.6 *Subrogation, etc.* Neither of the Sponsors will exercise any rights which it may acquire by reason of any payment made hereunder, whether by way of subrogation, reimbursement, or otherwise, until the prior payment, in full and in cash, of all Guaranteed Obligations. Any amount paid to either of the Sponsors on account of any payment made hereunder prior to the payment in full of all Guaranteed Obligations shall not be commingled with assets of the relevant Sponsor and shall immediately be paid to the Security Agent and credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Loan Agreement; provided, however, that if:

- (a) either of the Sponsors has made payment to the Security Agent of all or any part of the Guaranteed Obligations, and
- (b) all Guaranteed Obligations have been paid in full and the commitments of the Banks under or in connection with the Loan Agreement to AMD Saxonia have been permanently terminated,

the Security Agent, the Agent, the Paying Agent, and each Bank agree that, at the relevant Sponsor's request and expense, the Security Agent, the Paying Agent, the Agent, or such Bank will execute and deliver to such Sponsor appropriate documents (without recourse and without representation or warranty) necessary to evidence the transfer by subrogation to such Sponsor of an interest in the Guaranteed Obligations resulting from such payment by such Sponsor. In furtherance of the foregoing, for so long as any Guaranteed Obligations or commitments by the Banks under or in connection with the Loan Agreement to AMD Saxonia remain outstanding, each of the Sponsors shall refrain from taking any action or commencing any proceeding against AMD Saxonia (or its successors or assigns, whether in connection with a bankruptcy proceeding, or otherwise) to recover any amounts in respect of payments made under this Guaranty to the Security Agent, the Agent, the Paying Agent, or any Bank.

SECTION 2.7 *Successors, Transferees, and Assigns.* This Guaranty shall:

- (a) be binding upon each of the Sponsors, and their respective successors, transferees, and assigns; and

-
- (b) inure to the benefit of and be enforceable by each Secured Party, and each of their respective successors, transferees, and assigns.

Without limiting the generality of the foregoing clause (b), each Bank may assign or otherwise transfer (in whole or in part) the loans and financial accommodations made by it to AMD Saxonia under the Loan Agreement to any other Person, and such other Person, for purposes of this Guaranty, shall thereupon become vested with all rights and benefits in respect thereof granted to the transferring Bank under any Operative Document (including this Guaranty) or otherwise, subject, however, to any contrary provisions in such assignment or transfer, and to the provisions of Section 26 of the Loan Agreement.

SECTION 2.8 *Payments Free and Clear of Taxes, etc.* Each of the Sponsors hereby agrees that:

- (a) All payments by such Sponsor hereunder shall be made to the Security Agent at its principal office in Frankfurt am Main in Same Day Funds, free and clear of and without deduction for any present or future income, excise, stamp, or franchise taxes and other taxes, fees, duties, withholdings, or other charges of any nature whatsoever imposed by any taxing authority on such payments, but excluding taxes imposed on or measured by any Secured Party's net income or receipts or the net income or receipts of any branch thereof (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by either of the Sponsors hereunder is required in respect of any Taxes pursuant to any applicable law, rule, or regulation, then such Sponsor will, subject to Section 2.8 (d),
- (i) pay directly to the relevant authority the full amount required to be so withheld or deducted;
- (ii) promptly forward to the Security Agent an official receipt or other documentation satisfactory to the Security Agent evidencing such payment to such authority; and
- (iii) pay to the Security Agent such additional amount or amounts as is necessary to ensure that the net amount actually received by the relevant Secured Party will equal the full amount such Secured Party would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Security Agent, the Agent, or any Bank with respect to any payment received by the Security Agent hereunder, the Security Agent, the Agent, the Paying Agent, or such Bank may pay such Taxes and the Sponsors will promptly pay such additional amounts (including any penalties, interest, or expense, but only (in the case of penalties or interest) to the extent not resulting from a negligent or wilful failure to pay any or all of such Taxes by the Security Agent, the Agent, the Paying Agent or such Bank, as the case may be) as is necessary in order that the net amount received by the Security Agent, the Agent, the Paying Agent, or such Bank after the payment of such Taxes (including

any Taxes on such additional amount) shall equal the amount the Security Agent, the Agent, the Paying Agent, or such Bank would have received had no such Taxes been asserted.

- (b) The additional amount or amounts that either Sponsor shall be required to pay pursuant to clause (iii) of Section 2.8 (a) shall be reduced, to the extent permitted by applicable law, by the amount of the offsetting tax benefits, if any, as determined by the relevant Secured Party in the exercise of its sole discretion, which such Secured Party actually receives and utilises as a result of such Sponsor's payment under clause (i) of Section 2.8 (a) to the relevant authority (it being expressly understood and agreed that such Secured Party shall be required to use commercially reasonable efforts to claim or utilise any such benefit which may be available to it unless it believes in good faith that to do so would be inconsistent with its internal tax and other policies or if, in its good faith judgment, it would be disadvantaged in any respect with respect to its tax position or planning).
- (c) Subject to the relevant Secured Party complying with Section 2.8 (d) below, if either of the Sponsors fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Security Agent the required receipts or other required documentary evidence, such Sponsor shall indemnify the Security Agent, the Agent, the Paying Agent, and each Bank for any incremental Taxes, interest, or penalties that may become payable by the Security Agent, the Agent, the Paying Agent, or any Bank as a result of any such failure.
- (d) Each Secured Party that is entitled to claim an exemption (either on its own account or for the account of the relevant Sponsor) in respect of all or a portion of any Taxes which are otherwise required to be paid or deducted or withheld pursuant to this Section 2.8 in respect of any payments made by a Sponsor hereunder shall, within a reasonable time after receiving a written request from such Sponsor, provide such Sponsor with such certificates as may be appropriate in order to obtain the benefits of such exemption.
- (e) Without prejudice to the survival of any other agreement of the Sponsors hereunder, the agreements and obligations of the Sponsors contained in this Section 2.8 shall survive the payment in full of the principal of and interest on the loans and other financial accommodations made to AMD Saxonia under the Loan Agreement.

SECTION 2.9 *Judgment*. The Sponsors hereby agree that:

- (a) If, for the purposes of obtaining a judgment in any court, it is necessary to convert a sum due hereunder in Euro into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Security Agent could purchase Euro with such other currency on the Business Day preceding that on which final judgment is given.

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- (b) The obligation of each of the Sponsors in respect of any sum due from it to the Security Agent, the Agent, the Paying Agent, or any Bank hereunder shall, notwithstanding any judgment in a currency other than Euro, be discharged only to the extent that on the Business Day following receipt by the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, of any sum adjudged to be so due in such other currency, the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, may, in accordance with normal banking procedures, purchase Euro with such other currency; in the event that the Euro so purchased are less than the sum originally due to the Security Agent, the Agent, the Paying Agent, or any Bank, in Euro, such Sponsor, as a separate obligation and notwithstanding any such judgment, hereby indemnifies and holds harmless the Security Agent, the Agent, the Paying Agent, and each Bank against such loss, and if the Euro so purchased exceed the sum originally due to the Security Agent, the Agent, the Paying Agent, or such Bank in Euro, the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, shall remit to the relevant Sponsor such excess.

ARTICLE III Miscellaneous Provisions

SECTION 3.1 *No Waiver; Modifications in Writing.* In addition to, and not in limitation of, Sections 2.3 and 2.5, no failure or delay on the part of the Agent or the Security Agent in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other rights, power, or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Agent or the Security Agent at law, in equity, or otherwise. No amendment, modification, supplement, termination, or waiver of or to any provision of this Guaranty, or consent to any departure by either Sponsor therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Agent and the Security Agent. Any waiver of any provision of this Guaranty, and any consent to any departure by either Sponsor from the terms of any provision of this Guaranty, shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on either Sponsor in any case shall entitle such Sponsor to any other or further notice or demand in similar or other circumstances.

SECTION 3.2 *Severability of Provisions.* Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. Each Sponsor shall have an obligation to replace any invalid provision by a valid provision which approximates best to the economic purpose of the invalid provision.

SECTION 3.3 *Termination.* The obligations of the Sponsors hereunder shall terminate on the day that AMD Saxonia has paid in full all obligations then owing, and all obligations in respect of principal and interest, whether or not then owing, under or arising out of the Loan Agreement and the Banks have no other or further commitments under or arising out of the Loan Agreement.

SECTION 3.4 *Binding on Successors, Transferees, and Assigns; Assignment of Guaranty*. In addition to, and not in limitation of, Section 2.7, this Guaranty shall be binding upon the Sponsors and their respective successors, transferees, and assigns, and shall inure to the benefit of the Security Agent, the Agent, the Paying Agent, and each Bank, and their respective successors, transferees, and assigns, and shall be enforceable by the Security Agent, for the benefit of itself, the Agent, the Paying Agent, and each Bank and their respective successors, transferees, and assigns (to the full extent provided pursuant to Section 2.7), in each case subject to Section 26 of the Loan Agreement; provided, however, that neither Sponsor may assign any of its obligations hereunder without the prior written consent of the Security Agent. The rights of the Secured Parties hereunder shall be exercisable solely by the Security Agent on behalf of the Secured Parties unless either the Security Agent is not able pursuant to applicable law to realise the practical benefits of such rights on behalf of the Secured Parties or the limitation set forth in this sentence would otherwise materially adversely affect the rights of the Secured Parties hereunder.

SECTION 3.5 *Notice*. All notices, demands, instructions, and other communications required or permitted to be given to or made upon any of the Persons listed below shall be in writing and shall be personally delivered or sent by registered or certified mail, postage pre-paid, return receipt requested, or by pre-paid telex, TWX, or telegram, or by pre-paid courier service, or by telecopier, and shall be deemed to be given for purposes of this Guaranty on the day that such writing is delivered or sent to the intended recipient thereof in accordance with the provisions of this Section 3.5. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 3.5, notices, demands, instructions, and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) indicated below.

To the Security Agent:

Dresdner Bank AG, as Security Agent
Ostra Allee 9
01067 Dresden
Attention: Herrn Hans-Jürgen Hansen/Frau Heike Wetzel
Facsimile No.: (49) 351 489 1300

To the Agent:

Dresdner Bank Luxembourg S.A., as Agent
26, rue du Marché-aux-Herbes
L-2097 Luxembourg
Attention: Agencies
Facsimile No.: (352) 4760-43222

To AMD Inc.:

Advanced Micro Devices, Inc.
One AMD Place
Sunnyvale, California 94088
Attention: General Counsel
Facsimile No.: (1) (408) 774 7399

To AMD Holding:

AMD Saxony Holding GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsführer
Facsimile No.: (49) 351 277 91300

SECTION 3.6 *Relationship to Other Agreements.* The rights of the Agent and the Security Agent pursuant to this Guaranty are in addition to any other rights or remedies which the Agent and the Security Agent may have under statutory law or other agreements between one or more of the Agent, the Security Agent, the Paying Agent, the Banks and the Sponsors. Where such rights and remedies are in conflict with the provisions of this Guaranty, the provisions of this Guaranty shall prevail.

SECTION 3.7 *Setoff.* In addition to, and not in limitation of, any rights of the Security Agent, the Agent, or any Bank under applicable law, the Security Agent, the Agent, the Paying Agent, and each Bank shall, upon the acceleration of the Advances under the Loan Agreement following the occurrence any Event of Default or upon the occurrence and during the continuance of any event with respect to either Sponsor of the type described in Section 11.1 (e), (f), (g) or (h) of the AMD Inc. 1999 Loan and Security Agreement, have the right to appropriate and apply to the payment of the obligations of each of the Sponsors owing to it hereunder, whether or not then due, and AMD Holding (but not AMD Inc.) hereby grants to the Security Agent, the Agent, the Paying Agent, and each Bank a continuing security interest (securing its obligations under this Guaranty) in, any and all of its balances, credits, deposits, accounts, or moneys then or thereafter maintained with the Security Agent, the Agent, the Paying Agent, or such Bank and any and all property of every kind or description of or in the name of AMD Holding now or hereafter, for any reason or purpose whatsoever, in the possession or control of the Security Agent, the Agent, the Paying Agent, or such Bank, or any agent or bailee for the Security Agent, the Agent, the Paying Agent, or such Bank.

SECTION 3.8 *Governing Law; etc.* This Guaranty and all rights and obligations of the parties arising under or in connection herewith shall be governed by the Laws of the Federal Republic of Germany.

SECTION 3.9 *Jurisdiction.* Each of the Sponsors hereby submits to the exclusive jurisdiction of the courts in Frankfurt am Main for any dispute arising out of or in connection with this Guaranty. AMD Inc. states that Advanced Micro Devices GmbH whose address is Rosenheimerstraße 143b, 81671 Munich, Germany, Attention: Legal Department, Tel.: +49 89 450 530, Fax: +49 89 406 490, Telex: 841523883, is its accredited agent for service of process

and hereby undertakes to maintain an agent for service in Germany. The foregoing submission to jurisdiction shall not (and shall not be construed so as to) limit the rights of the Agent or the Security Agent to take suits, actions, or proceedings against a Sponsor to enforce any judgment rendered by the courts in Frankfurt am Main in any other court or entity of competent jurisdiction where such Sponsor has assets, nor shall the taking of suits, actions, or proceedings to enforce any such judgment in one or more jurisdictions preclude the taking of enforcement proceedings in any other jurisdiction, whether concurrently or not.

SECTION 3.10 *Operative Document*. This Guaranty is an Operative Document executed pursuant to the Loan Agreement.

SECTION 3.11 *Place of Performance and Payment*. The place of performance and payment (Zahlungs-und Erfüllungsort) under this Guaranty shall be Frankfurt am Main.

SECTION 3.12 *Use of English Language*. This Guaranty has been executed in the English language. All certificates, reports, notices, and other documents and communications given or delivered pursuant to this Guaranty shall be in the English language and, if reasonably requested by the Agent, a certified German translation thereof shall be furnished promptly thereafter. In the event of any inconsistency, the English language version of any such document shall control.

ADVANCED MICRO DEVICES, INC.

By: _____

Its _____

AMD SAXONY HOLDING GMBH

DRESDNER BANK LUXEMBOURG AG,
as Agent

By: _____

Its _____

DRESDNER BANK AG,
as Security Agent

*** Confidential treatment has been requested as to certain portions of this agreement. Such omitted confidential information has been designated by an asterisk and has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended, and the Commission's rules and regulations promulgated under the Freedom of Information Act, pursuant to a request for confidential treatment. ***

“S” PROCESS DEVELOPMENT AGREEMENT

between

INTERNATIONAL BUSINESS MACHINES CORP.

and

ADVANCED MICRO DEVICES, INC.

This Agreement is made effective as of the 28th day of December, 2002 (hereinafter referred to as the "Effective Date") by and between International Business Machines Corporation ("IBM"), incorporated under the laws of the State of New York, U.S.A. and having an office for the transaction of business at 2070 Route 52, Hopewell Junction, NY 12533, U.S.A. and Advanced Micro Devices having an office for the transaction of business at One AMD Place, P.O. Box 3453, Sunnyvale, CA 94088-3453 ("AMD"). IBM, and AMD may be individually referred to herein as a "Party," or collectively as the "Parties."

WHEREAS, IBM has been developing leading edge semiconductor manufacturing processes with Sony and Toshiba, and the Parties hereto desire to participate in parallel development efforts;

WHEREAS, the Parties possess complementary skills and know-how, which the Parties wish to contribute toward such process development;

WHEREAS, each Party agrees to provide certain personnel and grant the other Parties certain technology licenses in support of such process development;

WHEREAS, through the use of such complementary skills and know-how the Parties desire to achieve resource efficiencies and cost savings, and reduce the technical risk associated with the development of high end semiconductor processes in order to complete development of and put into production, leading edge high end semiconductor manufacturing processes sooner than would be possible with any of the Parties acting independently;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, as well as for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows.

SECTION 1—DEFINITIONS

Unless expressly defined and used with an initial capital letter in this Agreement, words shall have their normally accepted meanings. The headings contained in this Agreement or in any exhibit, attachment or appendix hereto are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, and the singular includes the plural. The following terms shall have the described meanings:

"Advanced Semiconductor Technology Center" or "ASTC" means the IBM 200mm or 300mm wafer process development facility used for conducting the Process Development Projects.

"Agreement" means the terms and conditions of this "S" Process Development Agreement together with any exhibits, attachments and appendices hereto.

“AMD Deputy Project Leader” means the individual, if any, appointed by AMD pursuant to Section 4.2 below.

“ASIC Product” shall mean an SOI Integrated Circuit that is not a Foundry Product and wherein all of the following conditions are met: (i) at least one of (a) the functional requirements, or (b) the design, for such SOI Integrated Circuit product is provided to a Party from a Third Party; (ii) such Party participated in an aspect of the definition and design of such product; and (iii) such Party is contractually bound to manufacture such product solely for, and to sell such product solely to, such Third Party or its distributor or other recipient solely for the benefit of such Third Party.

“Background Know-How” means methods, techniques, designs, structures, software, and specifications developed or acquired by a Party outside the performance of the Process Development Projects, which such Party provides to the other Party for use in a Process Development Project pursuant to Section 3. Such Background Know-How shall not include, Packaging Technology, Mask Fabrication and Photoresist Technology, Memory, SiGe Technology, or Chip Designs.

“BEOL” (Back End of Line) shall mean those aspects of Background Know-How and Specific Results that are directed to methods and processes of interconnecting the source, gate, or drain electrodes of FET transistors formed on a wafer, including initial passivation of such FET transistors with a dielectric, up to and not including Packaging Technology. For the avoidance of doubt, “BEOL” shall not include local interconnects made of tungsten.

“Bulk CMOS” shall mean CMOS semiconductor manufacturing technology carried out on a wafer that is not an SOI Wafer.

“Bulk CMOS Information” shall mean those aspects of Background Know-How and Specific Results that are (i) directed to Lithography and BEOL, and/or (ii) selected by IBM either for incorporation into an IBM Bulk CMOS process or otherwise pursuant to Section 3.4.

“Chip Design(s)” shall mean any design of one or more Integrated Circuits and/or Semiconductor Products, including (by way of example and not limitation) random access memory (RAM)s, read only memory (ROM)s, microprocessors, ASICs and other logic designs, and analog circuitry; provided, however, that “Chip Designs” shall not include (i) alignment marks or test structures and associated layout and data used in the Process Development Projects for process development, (ii) process kerf test structures, layout, and data of the test chip(s) (including SRAM macro cells) as well as such test chips themselves used for the development work of the Process Development Projects unless specifically excluded, or (iii) other product designs as mutually agreed by the Parties to be used as qualification vehicles in the Process Development Projects. For the avoidance of doubt, all of (i) through (iii) above shall be treated as Specific Results to the extent utilized in a Process Development Project.

“CMOS 10S” means a *** micron CMOS logic fabrication process currently under development by IBM, the development of which is to be continued pursuant to this Agreement, for the fabrication of SOI Integrated Circuits, as further defined in Exhibit A.1, attached hereto.

“CMOS 10S2” means a *** micron CMOS logic fabrication process currently under development by IBM, the development of which is to be continued pursuant to this Agreement, which is a performance enhanced version of CMOS 10S, as further defined in Exhibit A.2.

“CMOS 11S” means a *** micron CMOS logic fabrication process currently under development by IBM, the development of which is to be continued pursuant to this Agreement, for the fabrication of SOI Integrated Circuits, as further defined in Exhibit A.3.

“CMOS 11S2” means a *** micron CMOS logic fabrication process currently under development by IBM, the development of which is to be continued pursuant to this Agreement, which is a performance enhanced version of CMOS 11S, as further defined in Exhibit A.4.

“CMOS 12S” means a *** micron CMOS logic fabrication process currently under development by IBM, the development of which is to be continued pursuant to this Agreement, for the fabrication of SOI Integrated Circuits, as further defined in Exhibit A.5.

“Designated Invention” means an Invention for which a patent application has been filed by one or more of the Parties pursuant to Sections 11.1 or 11.2.

“Derivative Process(es)” shall have the meaning ascribed to it in Section 8.1

“Embedded DRAM” or “eDRAM” shall mean a device that either (i) primarily carries out logic functions, and includes one or more dynamic random access memory (DRAM) cells embedded within logic circuitry on the same semiconductor substrate, or (ii) primarily carries out memory functions, and includes one or more DRAM cells in combination with a static random access memory (SRAM) array on the same semiconductor substrate (including an array of SRAM cells linked with bit lines, word lines, sense amplifiers and decoders).

“Foundry Product” shall mean an SOI Integrated Circuit wherein all the following conditions are met: (i) the ***, or *** and/or ***, for such SOI Integrated Circuit product ***; (ii) *** of such product; and (iii) *** is contractually bound to ***.

“IBM Project Leader” means the individual appointed by IBM pursuant to Section 4.2, below, to provide day-to-day oversight for the Process Development Projects.

“Integrated Circuit” means an integral unit formed on a semiconductor substrate including a plurality of active and/or passive circuit elements formed at least in part of semiconductor material. For clarity, “Integrated Circuit” shall include charge-coupled devices (“CCDs”).

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

“Invention” means any invention, discovery, design or improvement, conceived or first actually reduced to practice solely or jointly by one or more Representatives of one or more of the Parties or their respective contractors during the term of this Agreement and in the performance of the Process Development Projects.

“Lithography” shall mean those aspects of Background Know-How and Specific Results directed to (a) process technology-dependent groundrules or process technology-dependent special rules for shapes replication as developed by the Parties for the generation of photomasks used for development and qualification of a semiconductor process technology in the Process Development Projects, (b) resolution enhancement techniques specifically created pursuant to the Process Development Projects to generate mask build data, (c) such photomasks themselves and the data files used therefor as are used in the Process Development Projects, (d) lithography process sequence as utilized in the Process Development Projects, and (e) mask data generation sequence as utilized in the Process Development Projects.

“Management Committee” shall have the meaning ascribed to it in Section 4.1.

“Mask Fabrication and Photoresist Technology” shall mean any process, procedure, Proprietary Tools (e.g. the Niagara software developed by IBM), or hardware tool used in the fabrication of photomasks, as well as the photomasks themselves, and/or the formulation and/or manufacture of photoresist; provided, however, that “Mask Fabrication and Photoresist Technology” shall not include Lithography.

“Memory” means Chip Designs and fabrication processes specifically related to read only memory (ROM), dynamic random access memory (DRAM), programmable ROMs, magnetic RAM (MRAM), ferroelectric RAM, and Embedded DRAM. For the avoidance of doubt, “Memory” shall not include static RAM (SRAM) macros utilized in the Process Development Projects as test vehicles.

“Net Selling Price” for each unit of a particular ASIC Product means the net revenue recorded by AMD (including Wholly Owned Subsidiaries and Related Subsidiaries of AMD) with respect to an ASIC Product less (a) shipping, (b) insurance, and (c) sales, value added, use or excise taxes, to the extent to which they are actually paid or allowed, and less allowances to the extent they are actually allowed. If ASIC Products are sold, leased or otherwise transferred in a higher level of assembly or in the course of a transaction that includes other products or services with no separate bona fide price to be charged for the ASIC Products, the applicable Net Selling Price for the purpose of calculating royalties shall be the fair market value of the ASIC Product, but no less than the average Net Selling Price of all such units of other ASIC Products sold, leased, or otherwise transferred to a Third Party by AMD (and/or by Wholly Owned Subsidiaries and Related Subsidiaries of AMD), whichever the case may be, during the preceding half year.

“Packaging Technology” shall mean any process, procedure, software, or hardware tools used in the packaging of integrated circuit products into single-chip packages, multi-chip packages, or any other higher levels of assembly, including but not limited to IBM’s collapsible chip carrier

connection ("C4") interconnect technology; provided, however "Packaging Technology" shall not include the formation of layers on a wafer up to and including the final via layer (referred to as LV, TV, or FV level), but shall include any process, procedure, or practice subsequent to such step.

"Process Development Project(s)" means the CMOS 10S, CMOS 10S2, CMOS 11S, CMOS 11S2, and CMOS 12S development work conducted jointly by Representatives of the Parties pursuant to the terms and conditions of this Agreement, as more fully set forth in Section 3.1, below.

"Project Leaders" means the IBM Project Leader and the AMD Deputy Project Leader.

"Proprietary Tools" means software (in source code form or in object code form), models and/or data, and other instrumentalities that are not commercially available and are either owned by a Party or under which a Party has the right to grant royalty-free licenses, and that are used in Process Development Projects.

"Qualification" means the T2 date identified in the schedule for each Process Development Project, as set forth in Exhibit B.

"Related Subsidiary" shall mean a corporation, company or other entity:

- (a) one hundred percent (100%) of whose outstanding shares or securities (such shares or securities representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by the Parties hereto; or
- (b) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, or other entity one hundred percent (100%) of whose ownership interest representing the right to (i) make the decisions for such corporation, company or other entity, or (ii) vote for, designate, or otherwise select members of the highest governing decision making body, managing body or authority for such partnership, joint venture, unincorporated association or other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Parties hereto;

provided that in either case, such entity shall be considered a Related Subsidiary, and shall be entitled to retain the licenses and other benefits provided by this Agreement to the Related Subsidiary, only so long as such ownership or control exists.

"Representative(s)" means, a Party's employees and employees of a Party's Wholly Owned Subsidiaries.

"Semiconductor Product" means a component that contains an Integrated Circuit on a single or multichip module that incorporates a means of connecting those Integrated Circuits with other

electronic elements (active or passive) and/or means to make external electrical connections to such elements, but which excludes any means for a user to operate the functions therein (e.g., buttons, switches, sensors).

“Silicon-Germanium Technology” or “SiGe Technology” shall mean semiconductor fabrication processes and design techniques incorporating silicon and germanium layers, provided, however, “SiGe Technology” shall not include strained silicon channel MOSFET techniques carried out on SOI Wafers.

“Silicon-On-Insulator Wafer” or “SOI Wafer” shall mean a, single-crystal silicon wafer bearing a horizontally-disposed isolating silicon dioxide (SiO₂) layer, in turn bearing a single-crystal silicon layer or a polysilicon layer, which is separated from the underlying silicon by the silicon dioxide layer and in which one or more active or passive integrated circuit structures are formed.

“SOI Device Information” means Background Know-How and Specific Results pertaining to all process methods, steps, and structures created on commercially available SOI Wafers other than Bulk CMOS Information.

“SOI Integrated Circuit” shall mean an Integrated Circuit fabricated utilizing SOI Device Information and built on SOI Wafers.

“Specific Results” shall mean information and items, other than i) Proprietary Tools, ii) Packaging Technology, iii) Mask Fabrication and Photoresist Technology, iv) Memory, v) SiGe Technology, and vi) Chip Designs, developed and/or contributed to the Process Development Projects by the Parties pursuant to the development work of the Process Development Projects as follows:

The documentation produced for the Process Development Projects as set forth in Exhibit J attached hereto (“Documentation”);

All information and items resulting from the Process Development Projects, including but not limited to methods, techniques, unit processes, process flows, structures in silicon, test software, and specifications for equipment, chemicals, masks and consumables;

Any Background Know-How provided to the Process Development Project(s) by a Party pursuant to Section 3, below.

“Subsidiary” means a corporation, company or other entity:

- (a) more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a Party hereto, or
- (b) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, but more than fifty percent (50%) of whose ownership interest representing the right to make the decisions for such corporation, company or other entity is now or hereafter, owned or controlled, directly or indirectly, by a Party hereto,

provided that in either case such entity shall be considered a Subsidiary, and shall be entitled to retain the licenses and other benefits provided by this Agreement to Subsidiaries, only so long as such ownership or control exists.

“Technical Coordinators” means the individuals referred to in Section 4.4, below.

“Term” means the period of time from the Effective Date and ending on December 31, 2005.

“Test Site” means a device or circuit evaluation site on a wafer.

“Third Party” or “Third Parties” means an entity or entities other than the Parties or their Wholly Owned Subsidiaries or Related Subsidiaries.

“Wholly Owned Subsidiary” shall mean 1) a corporation, company or other entity:

- (a) one hundred percent (100%) of whose outstanding shares or securities (such shares or securities representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a Party; or
- (b) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, or other entity but one hundred percent of whose ownership interest representing the right to (i) make the decisions for such corporation, company or other entity, or (ii) vote for, designate, or otherwise select members of the highest governing decision making body, managing body or authority for such partnership, joint venture, unincorporated association or other entity is, now or hereafter, owned or controlled, directly or indirectly, by a Party;
provided that in either case such entity shall be considered a Wholly Owned Subsidiary, and shall be entitled to retain the licenses and other benefits provided by this Agreement to Wholly Owned Subsidiaries, only so long as such ownership or control exists; or 2) a corporation, company or other entity:
- (c) at least seventy five percent (75%) of whose outstanding shares or securities (such shares or securities representing the right to vote for the election of directors or other managing authority) are, now or hereafter, owned or controlled, directly or indirectly, by a Party; or
- (d) which does not have outstanding shares or securities, as may be the case in a partnership, joint venture or unincorporated association, or other entity but at least seventy five percent (75%) of whose ownership interest representing the right to (i) make the decisions for such corporation, company or other entity, or (ii) vote for, designate, or otherwise select members of the highest governing decision making body, managing body or authority for such partnership, joint venture, unincorporated association or other entity is, now or hereafter, owned or controlled, directly or indirectly, by a Party;

provided, that in either case (c) or (d) above, (i) all of the remaining such ownership interest is solely owned or controlled, directly or indirectly, by one or more corporations, companies or other entities which are purely financial investors who are not engaged in the design, development, manufacture, marketing or sale of Semiconductor Products, and (ii) such entity shall be considered a Wholly Owned Subsidiary, and shall be entitled to retain the licenses and other benefits provided by this Agreement to Wholly Owned Subsidiaries, only so long as such ownership or control exists.

SECTION 2—ASTC

IBM has established the Advanced Semiconductor Technology Center in East Fishkill, New York. IBM shall be responsible for the operations of the ASTC, including, but not limited to capacity, staffing, and capital purchases. Process Development Projects shall be conducted primarily at the ASTC. In addition to the ASTC, IBM may utilize other IBM facilities to conduct elements of the development work associated with the Process Development Projects. In addition, the Parties may mutually agree to utilize AMD development facilities for specifically defined elements of the Process Development Projects. If the Management Committee members so agree, such agreement shall be documented in writing and signed by the Parties.

SECTION 3—SCOPE OF PROCESS DEVELOPMENT PROJECTS

- 3.1 The Parties agree to jointly develop semiconductor manufacturing process technology based on IBM's "S" high performance technology roadmap on commercially available SOI Wafers that meet the requirements set forth as "Strategic Technology Objectives" in Exhibit A (hereinafter referred to as "Strategic Technology Objectives") in accordance with the schedule set forth in Exhibit B (hereinafter referred to as "Development Schedule"). The Parties agree that the process technology so developed, shall be high performance, leading edge technology and, to the extent consistent with the Strategic Technology Objectives, shall be cost efficient. Any modification to such Strategic Technology Objectives or Development Schedule requires the mutual agreement of the Parties. For the avoidance of doubt, none of the Process Development Projects shall include the development of i) Proprietary Tools, ii) Packaging Technology, iii) Mask Fabrication and Photoresist Technology, iv) Memory, v) SiGe Technology, or vi) Chip Designs.

- 3.2 The Parties agree that Exhibit A also sets forth the potential technology implementation options for each Process Development Project. The Parties shall work together to evaluate the various options available, including individual process module feasibility, integration, characterization and qualification. The goal of such evaluation is to agree on an integrated process technology that meets the Strategic Technology Objectives. If the Project Leaders are unable to agree on a particular process module to be developed, or should they disagree as to continued development of a process module that was previously selected, the process module preferred by IBM shall be pursued in the applicable Process Development Project.

3.3 For information other than that developed by the Parties in a given Process Development Project to be considered Specific Results for that Project, including Background Know-How, it must be either deliberately provided to the Process Development Projects by the owner of such information, or be evaluated by the Project Leaders, pursuant to Section 3.2, for possible use in a Process Development Project. In the event such item of information is provided, and the Party owning such information notifies the Project Leaders within thirty (30) days after such owning Party's disclosure or the initiation of such evaluation that such information should be withdrawn, such owning Party may withdraw such information from use in the Process Development Projects and all such information in tangible form associated therewith shall be returned to such owning Party and such tangible information shall not become Specific Results. In the event of such withdrawal, any non-tangible information related to such information retained in the minds of the non-owning Party's employees shall be treated as Specific Results by the non-owning Parties. Absent such notice and withdrawal within thirty (30) days, all information deliberately provided by the owner of such information or evaluated by the Project Leaders shall be treated as Specific Results.

3.3.1 Any issue as to whether information was deliberately provided to the Process Development Projects shall be resolved by the Project Leaders based on either of the following criteria:

3.3.1.1 whether the information was deliberately exposed to the other Parties by a Representative of the owner of such information; or

3.3.1.2 whether the evaluation of the information by the Representatives was validly considered for incorporation into the Process Development Projects.

If the Project Leaders cannot agree, such issue shall be resolved by the Management Committee in accordance with the criteria in Sections 3.3.1.1 and 3.3.1.2.

3.3.2 Each Party shall be responsible for instructing its Representatives on methods of proper introduction of information into the Process Development Projects, and the consequences under Section 7.10, below, of information that is inadvertently obtained.

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- 3.4 During a given Process Development Project, the IBM Project Leader shall designate elements of the Specific Results and Background Know-How thereof that IBM will be applying toward development of its applicable Bulk CMOS process. IBM shall provide an initial designation of such elements at the completion of its initial feasibility studies for the applicable Process Development Project (set forth in Exhibit B as the "T-Bulk date"), and IBM shall provide a final designation of such elements no later than the "T1" date for the applicable Process Development Project, as set forth in Exhibit B. AMD agrees that IBM reserves the right to change such designations between its initial designation and its final designation. In either case, prior to making such determinations IBM shall consult with AMD, who shall provide its input as to the applicability of such elements to a Bulk CMOS process; provided, however, that IBM shall have the right to make any and all final decisions as to designation and application of such elements to its Bulk CMOS process.
- 3.5 Each Party shall have access to all Specific Results and shall be solely responsible, including the cost therefor, for the transfer of Specific Results to its own facilities. In addition to Representatives, AMD may assign additional personnel to IBM facilities to assist with such transfer. The number of additional personnel and the duration of their assignment shall be mutually agreed to by the Management Coordinators. As part of each Process Development Project, the Project Leaders shall coordinate the completion of the Documentation for such Process Development Project and each Party shall have access to all such Documentation. Notwithstanding the foregoing, since the T1 and T2 dates for CMOS 12S, as set forth in the Development Schedule, are outside of the Term, only a subset of the Documentation shall be prepared for the CMOS 12S Process Development Project, as determined by the Project Leaders. Should AMD have any questions regarding the Documentation as they are transferring such Specific Results to their own facilities, IBM agrees to provide reasonable telephonic, videoconference or email support through its Technical Coordinator to address such questions during normal business hours. Each Party shall be solely responsible for obtaining any and all regulatory approvals as may be required to utilize Specific Results at its facilities, and shall be solely responsible for the cost of equipment and consumables as may be required to utilize the Specific Results at its facilities.
- 3.6 Without liability to the other Parties for breach hereof, to the extent known by a Party disclosing information for use in any Process Development Project, prior to such disclosure, such disclosing Party agrees to promptly notify the other Parties of any limitations on the uses of such information, whether such use would violate or whether such information is protected by any copyright or mask work or similar right of any Third Party. Upon such notification, the Parties may agree to accept such information into the Process Development Project subject to such limitations. Upon the failure to make such notification, or if any such limitation arises after disclosure by the disclosing Party, then the Parties shall attempt to work together to find a mutually agreeable solution. Each Party further agrees to use reasonable efforts to ensure that it will not design or develop the Process Development Projects in such a way that requires the use of any Third Party confidential information, which is not available to the other Parties for their use as aforesaid. Each Party further agrees to use reasonable efforts to ensure that it will not disclose to the other Parties any information considered confidential by it or by any Third Party which information does not relate to the Process Development Projects.

4.1.2 Should either Party reasonably determine that the process technology to be developed under the Process Development Projects is no longer meeting the Strategic Technology Objectives or the Development Schedule, or brings forth empirical evidence of changes in the competitive marketplace for semiconductor technology such that the Strategic Technology Objectives and/or the Development Schedule are no longer competitive, such Party may present such problem to the Management Committee for discussion. If the Management Committee, after the exercise of reasonable efforts in the conduct of such discussions, fails to reach mutual agreement as to a resolution of such Party's concerns then any Party may refer such concerns to the senior executives named in Section 4.1.1, above, which senior executives shall discuss and meet in person, if necessary, in order to attempt to resolve such Party's concerns. If such senior executives are unable to resolve such Party's concern the senior executives agree to instruct the Management Committee to negotiate a mutually agreeable reasonable wind down plan (which may include additional exit fees) to terminate the development relationship set forth in this Agreement. In the event of such termination, AMD shall be entitled to immediately exercise its rights in accordance with Section 8.9 below.

4.2 Each Party shall appoint a Project Leader within thirty (30) days after the Effective Date. It is the intent of the Parties that Project Leaders be assigned to the Process Development Projects for no less than two (2) year terms. The IBM Project Leader shall be in charge of the day-to-day operations of the Process Development Projects. A Party may replace its Project Leader, named below, by giving written notice to the other Party of such replacement. The responsibilities of the Project Leaders are set forth in Exhibit E.

The Project Leaders shall be:

(i) For AMD:

Address TBD

(ii) For IBM:

2070 Route 52
Hopewell Junction, New York 12533

Tel: ***
Fax: ***

4.3 In addition to the Project Leaders, AMD will provide Representatives to work on the Process Development Projects at the ASTC. Exhibit C, attached hereto, shows the minimum staffing and professional skill levels expected for such Representatives. If IBM so requests, AMD shall make a compensating payment to IBM at a rate of *** (\$***) U.S. Dollars per person month for each headcount below the minimum staffing level set forth in Exhibit C. AMD may, at its sole option, provide up to *** (***) Representatives to work in the ASTC. The assignment of such Representatives shall be mutually agreed to by the Project Leaders.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 4.6 Each Party shall be responsible for the selection of its Representatives who will be assigned to work in the ASTC on the Process Development Projects. Personnel supplied by each Party who are Representatives of the supplying Party shall not for any purpose be considered employees or agents of any other Party. Each Party shall be responsible for the supervision, direction and control, payment of salary (including withholding of taxes), travel and living expenses (if any), worker's compensation insurance, disability benefits and the like of its own Representatives. In addition, each Party may reassign any of its Representatives as such Party deems necessary, subject to Section 4.3, above.
- 4.7 If any Party should become aware of the existence of any hazardous conditions, property, or equipment which are under the control of another Party it shall so advise the other Party; however, it shall remain that Party's responsibility to take all necessary precautions against injury to persons or damage to property from such hazards, property, or equipment until corrected by the other Party. Each Party agrees to comply with the Occupational Safety and Health Act ("OSHA"), applicable OSHA standards, applicable New York safety and health laws and regulations, any applicable municipal ordinances, and applicable facility safety rules of which the Party has notice, regarding the Representatives it assigns to the Process Development ASTC.
- 4.8 The Parties agree that the Parties and any Subsidiaries shall refrain from making any payment or gift of any value to any Representatives of any other Party assigned to the ASTC without the employing Party's prior written approval. No Party (or any of its Subsidiaries) may make any representation that might cause a Representative of another Party to believe that an employment relationship exists between such Representative and the other Party.
- 4.9 Each Party assumes no liability to the other Parties for any injury (including death) to persons or damage to or loss of property suffered on or about the ASTC unless caused by the gross misconduct or gross negligence of such Party, its Representatives or invitees.
- 4.10 To the extent permitted by law, during the term of this Agreement, each Party agrees neither to directly or indirectly solicit for employment purposes the Representatives of any other Party engaged in semiconductor development in IBM's East Fishkill or Yorktown Research facilities or AMD's Sunnyvale, Austin or Dresden facilities or other Representatives working on the Process Development Projects until at least one (1) year has passed between the date such employee stopped being engaged in semiconductor development, and the date of solicitation, without the prior written permission of such other Party. However, the foregoing does not preclude general (i.e., non-targeted) recruitment advertising. In addition, to the extent permitted by law, during the term of this Agreement, each Party agrees that its units, divisions, line of business or other comparable organizational structures, involved in the development of semiconductor process technologies shall not hire Representatives of any other Party engaged in the Process Development Projects, without the prior written permission of such other Party.

SECTION 5—AMD FUNDING CONTRIBUTIONS AND ROYALTY PAYMENTS

5.1 AMD shall pay to IBM for the Term a total of *** dollars (\$***) for its respective share of the costs of the Process Development Projects; such payments shall be made as follows (in *** of US dollars):

	<u>1Q03</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>1Q04</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>1Q05</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
AMD	***	***	***	***	***	***	***	***	***	***	***	***

Such payments shall be made on the fifteenth of the first month of each calendar year quarter. This Agreement will serve as an invoice for such payments.

5.2 AMD shall be liable for interest on any overdue payment under this Agreement commencing on the date such payment becomes due at an annual rate equal to eighteen percent (18%) per year. If such interest rate exceeds the maximum legal rate in the jurisdiction where a claim therefor is being asserted, the interest rate shall be reduced to such maximum legal rate.

5.3 IBM shall apply the payments of Section 5.1 above towards Process Development Project costs and not for any license rights granted by any Party to any other Party for Background Know-How. Notwithstanding Section 5.1, AMD shall be required to share the incremental costs of any changes in scope in the Process Development Projects agreed to pursuant to Section 14.

5.4 Moreover, AMD shall pay IBM a royalty on all ASIC Products, at the rate of *** percent (***) of the Net Selling Price of each unit of ASIC Product sold, leased or otherwise transferred directly or indirectly prior to five (5) years from ***, provided, however, that in the case of Specific Results from the *** all royalties for ASIC Products utilizing such Specific Results shall be *** percent (***). Such royalty payments are to be paid by AMD for each ASIC Product sold, leased or otherwise transferred at the time of such sale, lease or transfer to a Third party. For clarity, such royalty obligation does not extend to transactions between or among the Parties and such Wholly Owned Subsidiaries or Related Subsidiaries that do not involve a Third Party. AMD shall pay IBM all royalties owed within forty-five (45) days after the end of each calendar quarter. AMD shall provide a royalty report to IBM within forty-five (45) days after the end of each calendar quarter. All payments shall be made by wire transfer to the IBM account listed in Section 13.1.1 below, in U.S. dollars. The following information shall be included in the wire detail:

Company Name
Reason for Payment
License Reference No. L024381B

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 5.5 AMD shall maintain a complete, clear and accurate record of the quantity of ASIC Products sold, leased or otherwise transferred and any other relevant information to the extent it is required to determine whether they are paying the correct royalty amount hereunder. To ensure compliance with the terms and conditions of this Agreement, IBM shall have the right to audit all relevant accounting and sales books and records of AMD. The audit will be conducted by the independent audit firm of Pricewaterhouse Coopers & Co., or another mutually acceptable audit firm, and shall be conducted following reasonable prior written notice (at least forty-five (45) days in advance) during regular business hours at an office where such records are normally maintained and in such a manner as not to interfere with AMD's normal business activities and shall be restricted only to those records necessary to verify AMD's obligations hereunder. The audit report provided to IBM may only include the information necessary to determine whether or not any underpayment or overpayment exists, and if it exists, the amount of such underpayment or overpayment. IBM shall instruct the auditor to include only business information in the audit report to IBM. IBM shall use the business information reported by the auditor only for the purpose of determining royalty payments and for no other purpose. In no event shall audits be made hereunder more frequently than once in every twelve (12) months and the audit shall not cover any records from a period of time previously audited. If any audit should disclose any underpayment or overpayment, the owing Party shall within forty-five (45) days pay the difference. The cost of such audit will be borne by IBM. AMD shall be provided with a copy of the audit report within a reasonable period of time after its completion. The independent audit firm shall not be hired on a contingent fee basis and shall have confidentiality agreements in place sufficient to protect AMD's confidential information.
- 5.6 If AMD exercises its option under Section 8.7, below, AMD agrees to pay IBM a royalty of *** (***) percent for each SOI wafer for *** provided to, or purchased by, *** and *** (***) percent for each SOI wafer for *** provided to, or purchased by, a *** for the lesser of a period of four (4) years beginning on the initial date of *** or the expiration of the confidentiality period for the ***. If a *** is also a ***, the royalty rates will be *** (***) percent for *** SOI wafers and *** (***) percent for *** SOI wafers. The revenue basis for such qualified SOI wafers shall be the lesser of *** for processed SOI wafers of the respective ***. If AMD exercises its rights under the third paragraph of Section 8.7, then for the combined maximum capacity thereunder that IBM refuses pursuant to Section 8.7, AMD will pay IBM a royalty of *** (***) percent for each SOI wafer and *** (***) percent of each bulk wafer for *** provided to, or purchased by, a Third Party and *** (***) percent for each SOI wafer and *** (***) percent for each bulk wafer for *** provided to, or purchased by, a Third Party and the obligation to pay this royalty will terminate the lesser of four (4) years from the initial date of *** or the expiration of the confidentiality period for the ***. Other than as expressly recited in this Section 5, no royalties will be due for any products. Section 5.2, the payment procedures of Section 5.4, and the audit provisions of Section 5.5 will apply to the aforementioned wafer royalty payments.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 5.7 If IBM and AMD agree to continue “S” Process development in accordance with Section 8.8 (below), AMD will pay IBM ***. The above amounts will be due in equal quarterly installments commencing with the date of the extension. Section 5.2 and the payment procedures of Section 5.4 will apply to these payments.
- 5.8 If AMD becomes licensed under Section 8.9, below, AMD agrees to pay IBM as follows: if IBM does not offer a first extension to this Agreement that is consistent with Section 8.8, then AMD will pay IBM \$*** for each of the ***, if AMD does not request a first extension to this Agreement or if the Parties fail to reach agreement on the first extension, AMD will pay IBM \$ *** for each ***, provided however, if one of the ***, AMD will pay IBM \$***. If the Parties had agreed to a first extension: and if IBM does not offer a second extension to this Agreement that is consistent with Section 8.8, then AMD will pay IBM \$*** for each of the ***, if AMD does not request a second extension to this Agreement or if the Parties fail to reach agreement on the second extension, AMD will pay IBM \$*** each ***, provided however, if one of the ***, AMD will pay IBM \$***. The above amounts will be due upon disclosure to the *** and only if the date of disclosure is within the confidentiality period for the applicable technology. Section 5.2 and the payment procedures of Section 5.4 will apply to these payments.

SECTION 6—INSURANCE, RESPONSIBILITY FOR RESULTS AND WARRANTIES

- 6.1 Although the Parties will use commercially reasonable efforts in performing the Process Development Projects, the Parties acknowledge that the results of the development work to be performed are uncertain and cannot be guaranteed by any Party. The risk of success or failure of the Process Development Projects shall be shared by all the Parties equally. If a Party has exerted such efforts in the performance of its responsibilities under a Process Development Project, the failure to achieve performance objectives or schedules within a Process Development Project shall not constitute a breach of this Agreement.
- 6.2 All items furnished by a Party to the Process Development Projects will be produced or provided by said Party in the same manner as it produces or provides such items for its own use and will be furnished on an “AS IS” BASIS WITHOUT WARRANTY OF ANY KIND, including, without limitation, i) ANY WARRANTY THAT THE SPECIFIC RESULTS WILL BE FREE OF THIRD PARTY CLAIMS OF INFRINGEMENT OF PATENTS, COPYRIGHTS, TRADE SECRET, OR MASK WORK RIGHTS and ii) ANY IMPLIED WARRANTIES OR TERMS OF MERCHANTABILITY AND FITNESS OR USE FOR A PARTICULAR PURPOSE.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 6.3 Each Party shall maintain for the benefit of each of the others, comprehensive general liability insurance of not less than fifteen million dollars (\$15,000,000) per occurrence which covers bodily injury (including death) and property damage (including, to the extent such insurance is reasonably available therefor, environmental damage), and which applies to any such liability the Party may have under this Agreement. Purchase and maintenance of such insurance shall in no way be interpreted as relieving any Party of any of its responsibilities hereunder, and each Party may carry, at its expense, such additional insurance amounts and coverage as it deems necessary. In no event shall any such insurance be cancelled without prior written notice by the insured Party's insurance carrier to the other Party.
- 6.4 IBM represents and warrants that the agreement with its Third Party development partners grants IBM the right to transfer the proprietary information of its Third Party development partners to AMD and to sublicense such information consistent with Section 8 hereof. Such sublicense is hereby granted pursuant to the terms and conditions of this Agreement. IBM agrees that prior to amending such agreement inconsistent with this representation and warranty, it shall notify AMD.

SECTION 7—INFORMATION TRANSFERS

- 7.1 Without any liability to the other Parties for patent infringement or failure to notify, each Party agrees to promptly notify the other Party in writing or provide oral notification, as the case may be, of any patents or other intellectual property rights of Third Parties of which it becomes aware, which, in the sole opinion of said Party, may relate to the use of Specific Results. In such instance, the Parties shall reasonably cooperate with each other to exchange information related to such potential Third Party intellectual property issues. However, no Party shall have any obligation hereunder to conduct patent searches or studies in relation to the Process Development Projects or to notify the other Parties of any licenses it may have under any particular patent. The Parties recognize that each of them has patent license arrangements with Third Parties and that it is the individual responsibility of each Party to secure any rights under the patents of Third Parties which may be needed to enable it to manufacture and/or market the product (including products manufactured using the process technology to be developed under the Process Development Projects) at such time as it determines in its sole judgement that such action is required.

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- 7.2 Any confidential information disclosed by one Party to another in performance of the Process Development Projects shall be designated with an appropriate and conspicuously obvious legend, such as “IBM Confidential” or “AMD Confidential”, as the case may be, such legends to clearly indicate to a person viewing or otherwise accessing such information that it is of a confidential nature to the disclosing Party. Any such disclosure that is made orally shall be confirmed in writing under a like designation within thirty (30) days after the date of such disclosure. The Technical Coordinators shall monitor and keep records of all such disclosures of confidential information and shall ensure that it is properly marked as confidential, and record the date of receipt. Specific Results generated pursuant to the Process Development Projects and any confidential information that is included in Specific Results shall be clearly designated by the Technical Coordinators with an appropriate legend, such as “IBM/AMD Confidential”. Further, in the event that a Representative of any Party obtains information relating to the Process Development Projects in tangible form which is not designated as confidential in accordance with this Section 7.2, but which from its nature appears likely to be confidential, such Representative will notify the Technical Coordinators who then will decide whether or not such information can and should be thereafter treated as confidential. The Technical Coordinators shall either mutually agree that such information is non-confidential or have all copies of such information in tangible form promptly marked with the appropriate legend identifying its confidentiality.
- 7.3 Except as otherwise provided in this Agreement, with respect to Specific Results and any other confidential information of either Party, which is confidential pursuant to Section 7.2 above, the Party receiving such information shall use the same efforts to avoid its publication or dissemination to Third Parties as it employs with respect to information of its own which it does not desire to be published or disseminated. For Specific Results of each Process Development Project and Background Know-How, the obligations of confidentiality shall terminate *** for each applicable Process Development Project (if this Agreement is terminated or if for some other reason a given Process Development Project is not pursued ***, such time period shall be *** of the applicable Process Development Project); in the case of Proprietary Tools, this obligation of confidentiality shall terminate *** after its disclosure by the disclosing Party; and for all other confidential information this obligation of confidentiality shall terminate *** after its disclosure by the disclosing Party. This obligation shall not, however, apply to any information that is:
- 7.3.1 already in or comes into the possession of the receiving Party or its Subsidiaries without obligation of confidence;
 - 7.3.2 now, or hereafter becomes, publicly available without breach of this Agreement;
 - 7.3.3 intentionally disclosed to or rightfully received from Third Parties without obligation of confidence;
 - 7.3.4 independently developed by the receiving Party or its Subsidiaries;
 - 7.3.5 approved for release by written agreement of the disclosing Party; or

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 7.3.6 inherently disclosed in the use, lease, sale or other distribution of any available product or service or publicly available supporting documentation therefor by the receiving Party or any of its Subsidiaries.
- 7.4 The receiving Party's obligations with respect to Specific Results or any other confidential information of the disclosing Party as specified in Section 7.3, above shall not apply to any disclosure that is:
- 7.4.1 in response to a valid order of a court or other governmental body of any country or group of countries or any political subdivision thereof; provided, however, that the receiving Party shall first have notified the disclosing Party and made a good faith effort to obtain a protective order requiring that the information and/or documents so disclosed be used only for the purposes for which the order was issued;
- 7.4.2 otherwise required by law; or
- 7.4.3 reasonably necessary in order to establish the receiving Party's rights, provided that such receiving Party shall provide the disclosing Party with prior written notice, except notice shall not be required where the receiving Party is attempting to establish rights in a lawsuit under this Agreement against the disclosing Party or is filing a patent under Section 11 of this Agreement.
- 7.5 Each Party shall have the right to disclose and sublicense as specified in Section 8 Specific Results to any of its Wholly Owned Subsidiaries and its Related Subsidiaries at any time; provided however, that such Wholly Owned Subsidiaries and its Related Subsidiaries shall agree to be bound by substantially the same terms as are applicable to said Party in Sections 7.2, 7.3, and 7.4 and the survival of same pursuant to Section 12. Further, each Party may authorize its Wholly Owned Subsidiaries and its Related Subsidiaries to whom such Party has disclosed Specific Results pursuant to this Section 7.5 to exercise some or all of its rights to disclose Specific Results under and in accordance with Section 7.6.
- 7.6 Subject to provisions of this Section 7.6, AMD shall have the right to disclose the following portions of the Specific Results to Third Parties, but solely for the purpose of enabling such party to assist AMD, in exercising the rights granted to it hereunder:
- 7.6.1 specifications for masks, materials, chemicals, consumables and/or equipment to contractors or suppliers;
- 7.6.2 wafers and/or information to have equipment maintained; or
- 7.6.3 equipment lists and simple process flow information, excluding detailed process flow information or detailed process specifications, as necessary in order to enable installation of a process in a fabrication facility or to design and construct a facility to practice such process.

Such disclosures will not be made without a written agreement between the disclosing party and the recipient. Such agreements shall be subject to the following:

- (a) such agreements must obligate the recipient to utilize the disclosed information solely for the benefit of the discloser and for no other purpose, and solely in furtherance of the purposes set forth in this Section 7.6;
- (b) such disclosures shall be subject to confidentiality terms that are the same or substantially similar to those set forth in this Agreement, and at a minimum must have a confidentiality term that is no shorter than that set forth herein; and
- (c) the disclosing Party shall use reasonable efforts to negotiate a provision in the agreement whereby IBM would be granted third party beneficiary status (or the equivalent under whatever law applies to the agreement), to the extent permitted by law, with an independent right to enforce the confidentiality and license provisions of the agreement.

For the avoidance of doubt, AMD shall have the right under this Section 7.6 to disclose portions of Specific Results as may be incorporated into a Derivative Process as set forth in Sections 7.7 and 8.1, for the same purposes and subject to the same limitations as set forth herein.

Moreover, AMD shall have the right to disclose those portions of Specific Results listed below to their customers, solely for the purpose of enabling sales of Integrated Circuits embodying the Specific Results to such customers. Such portions shall include the following:

- Process roadmap and development schedule for Process Development Projects;
- Time schedule for development of device model library, and SPICE parameters;
- Design rules for each Process Development Project; and
- Simplified process flow (indicative of rough number of process and mask steps).

Such disclosures will not be made without a written agreement between the disclosing party and the recipient that, at a minimum, shall have a term of confidentiality no shorter than that set forth herein, and that limit such recipient's use of such information to the purposes set forth herein.

7.7 As set forth in Section 8.1, AMD has the right to utilize one or more aspects of Bulk CMOS Information in their development of the Derivative Process. AMD shall have the right to disclose and sublicense as specified in Section 8 such Derivative Processes to its Wholly Owned Subsidiaries and their Related Subsidiaries at any time (such disclosures being subject to the conditions set forth in Section 7.5). AMD shall also have the right to disclose and sublicense as specified in Section 8 such Derivative Processes to Third Parties, as follows:

- (i) to not more than *** (***) Third Parties in total under this Agreement subject to Section 7.7(ii), *** (***)*** of the applicable Process Development Project and to AMD's flash memory venture for the purpose of producing flash memory products, no earlier than *** of the applicable Process Development Project. It is understood that employees of AMD's flash memory partner working within AMD's flash memory venture might be exposed to such disclosed information and such exposure shall not constitute a disclosure under this Section nor a breach of any confidentiality obligations hereunder; and
- (ii) to an *** of ***, no earlier than *** of the applicable Process Development Project.

Such sublicenses will not be granted without a written agreement between the disclosing party and the sublicensee. Such sublicenses and sublicense agreements shall be subject to the following:

- (a) such sublicenses must be for the entire Derivative Process, and not solely or primarily those portions of the Derivative Process derived from the Specific Results;
- (b) such sublicenses shall specifically exclude the right for the Third Party to utilize all or any aspect of the Derivative Process to develop, derive, or otherwise create a fabrication process to fabricate SOI Integrated Circuits;
- (c) such sublicenses shall be subject to confidentiality terms that are the same or substantially similar to those set forth in this Agreement, and at a minimum must have a confidentiality term that is no less than that set forth herein;
- (d) such sublicense shall terminate, with immediate effect if the Third Party undergoes any of the following:
 - becomes insolvent, is dissolved or liquidated, files or has filed against it a petition in bankruptcy, reorganization, dissolution or liquidation or similar action filed by or against it, is adjudicated as bankrupt, or has a receiver appointed for its business;

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

has all or a substantial portion of its capital stock or assets expropriated or attached by any government entity; or
***, undergoes a Change of Control (as such term is defined in Section 12.3 of this Agreement, as modified to apply to such sublicensee instead of AMD); and

- (e) to the extent permitted by law, such agreement shall grant IBM third party beneficiary status (or the equivalent under whatever law applies to the sublicense agreement) with an independent right to enforce the confidentiality and license term of the agreement. If AMD fails to reach an agreement with its disclosee(s) on such third party beneficiary status, then IBM shall discuss and negotiate with AMD for a possible alternative to this sub-section (e).

7.8 Notwithstanding any other provision of this Agreement, AMD shall not be prevented from furnishing or disclosing technical information developed solely by AMD, or by AMD and Third Parties (other than Toshiba and Sony) to any Third Party. Further, with respect to technical information developed by AMD and Sony or Toshiba outside the scope of this Agreement (deemed for the purpose of this sentence to include the scope of the Sony, Toshiba, IBM "S" Process Development Agreement) AMD shall not be prevented from furnishing or disclosing such technical information to any Third Party. Further, disclosure of such technical information shall not be prevented even if a minor portion of Bulk CMOS Information embodied in Specific Results is commingled with and constitutes an inseparable element of such technical information. If any dispute arises with regard to the definition of "minor portion" prior to disclosure, the Management Committee shall resolve such dispute. No royalties shall be payable in connection with the disclosures permitted by this Section 7.8.

In addition, AMD may request permission in writing from IBM to disclose Specific Results, in addition to that set forth in Sections 7.5, 7.6 and 7.7 to Third Parties. IBM will consider and respond in writing to each such request.

7.9 IBM shall have the right to disclose Specific Results to any Subsidiary or any Third Party, at any time and for any purpose, and such recipients shall have the right to disclose Specific Results to their Subsidiaries, provided that such disclosures shall be subject to appropriate confidentiality terms that, at a minimum, shall have a term of confidentiality no shorter than that set forth herein.

7.10 With respect to information that does not relate to the Process Development Projects and which is considered confidential by either Party, it is not the intention of either Party to disclose to or obtain from the other Party any such information. In particular, the Parties acknowledge that IBM has other development projects and relationships being conducted in the ASTC facility, and the Parties shall take reasonable precautions to limit the

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disclosure and receipt of information unrelated to Process Development Projects. In the event that a Representative of one Party obtains any such information of the other Party that is designated as confidential or which should from its nature be understood to be confidential, the Technical Coordinators of both Parties shall be informed, and any such information in tangible form shall promptly be returned to said originating Party. Nothing in this Agreement shall convey any right to said Party to use said tangible information for any purpose. However, any non-tangible information related to said information which is retained in the minds of the Party's employees will be treated as Specific Results.

SECTION 8—LICENSES TO BACKGROUND KNOW-HOW

8.1 IBM hereby grants to AMD, and AMD hereby grants to IBM, under their respective trade secret/know-how rights in and to Background Know-How that becomes part of Specific Results pursuant to Section 3, a non-exclusive, perpetual, worldwide, irrevocable (subject to all the terms and conditions of this Agreement) license, to use such Background Know-How for the purpose of researching, developing, engineering, manufacturing, using, marketing, selling, servicing and otherwise disposing of (i) SOI Integrated Circuits other than ***, (ii) Integrated Circuits that combine Bulk CMOS and SOI Device Information other than ***, or (iii) Bulk CMOS products other than ***. AMD shall have no obligation under this Agreement to pay any royalty for the licenses set forth in this Section 8, except as provided in Section 5 above.

The foregoing license shall include the right for AMD to utilize one or more aspects of Bulk CMOS Information for the development and qualification of their own, proprietary Bulk CMOS process ("Derivative Process") and for developing, engineering, manufacturing, using, marketing, selling, servicing and otherwise disposing of Integrated Circuits other than SOI Integrated Circuits utilizing such Derivative Process, such Integrated Circuits being designed by any party. It is expressly confirmed that such license shall include the right for AMD to develop a Derivative Process.

8.2 IBM hereby grants to AMD, and AMD hereby grants to IBM, under their respective copyright rights in and to Background Know-How that becomes part of Specific Results pursuant to Section 3, a non-exclusive, perpetual, worldwide, irrevocable (subject to all the terms and conditions of this Agreement) license to copy documentation and other written expression, to make derivative works of such written expression, to distribute such documentation and derivatives as set forth elsewhere in this Section 8, and to execute, display, and perform to the extent consistent with the provisions of Section 7; provided however, that AMD shall make only such numbers of copies and create such derivative works as are reasonably necessary for them to carry out the license rights set forth in Sections 8.1, 8.5, 8.7, 8.8 and 8.9.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 8.3 IBM hereby grants to AMD, and AMD hereby grants to IBM, under their respective mask work rights in and to Background Know-How that becomes part of Specific Results pursuant to Section 3, a non-exclusive, perpetual, worldwide, irrevocable (subject to all the terms and conditions of this Agreement) license to use any process-related mask design information provided to a Process Development Project (e.g. kerf test structures) and create derivative works thereof, as reasonably necessary for the licensed Parties to carry out the license rights set forth in Section 8.1. Unless otherwise authorized, this right shall not include any rights to utilize any product design information in such masks.
- 8.4 AMD hereby grants to IBM, under AMD's trade secret and know how rights in and to Background Know-How that becomes part of Specific Results pursuant to Section 3, a non-exclusive, perpetual, worldwide, fully paid-up, and irrevocable (subject to all the terms and conditions of this Agreement), license to use such Background Know-How for the purpose of researching, developing, engineering, manufacturing, using, marketing, selling, servicing and otherwise disposing of Integrated Circuits, and to make derivatives of such information for such uses. In the case of copyrights, such license is to copy documentation and other written expression, to make derivative works of such written expression, to distribute such documentation and derivatives, and execute, display, and perform to the extent consistent with the provisions of Section 7; provided however, that IBM shall make only such numbers of copies and create such derivative works as are reasonably necessary for it to carry out the license rights set forth herein. In the case of mask work rights, such license is to use any process-related mask design information provided to a Process Development Project (e.g. kerf test structures) and create derivative works thereof, as reasonably necessary for IBM to carry out the license rights set forth herein. Unless otherwise authorized, this right shall not include any rights to utilize any product design information in such masks. The foregoing rights include the right for IBM to use such information and materials at facilities it solely owns, with the right to also utilize such information and materials (subject to the foregoing restrictions) at facilities of Subsidiaries to whom such information and materials have been disclosed pursuant to Sections 7.9 and 8.5.
- 8.5 The licenses granted in Sections 8.1 through 8.4 shall include the right for each Party to sublicense consistent with their respective disclosure rights as set forth in Section 7, subject to the terms and conditions set forth therein and as may be applicable pursuant to this Section 8. Each Party agrees to not unreasonably withhold the granting, upon request by a recipient to whom disclosure has been made pursuant to Sections 7.5, 7.7, and 7.9, of a non-exclusive license under such Party's patents, under reasonable and non-discriminatory terms and conditions, to the extent necessary for such recipient to utilize the disclosed information for the purposes set forth in the applicable clause of Section 7, provided such recipient otherwise respects the intellectual property rights of the granting Party.
- 8.6 No license or other right is granted herein by any Party to the other Party, directly or indirectly, by implication, estoppel or otherwise, with respect to any trade secrets, know-how, copyrights, mask works, patents, patent applications, utility models, or design patents except

as expressly set forth in this Agreement, and no such license or other right shall arise from the consummation of this Agreement or from any acts, statements or dealings leading to such consummation. The Parties expressly understand and acknowledge that any patent license rights that may be required to carry out the licenses set forth in this Agreement are set forth in separate patent cross-license agreements between them.

8.7 After ***, AMD may exercise the sublicensing option in this Section 8.7.

IBM hereby grants to AMD the right to disclose and sublicense the process technology developed by IBM and AMD under this Agreement including SOI Device Information and Bulk CMOS Information subject to the following requirements. AMD may sublicense no more than *** with a combined maximum of *** consumed by, or supplied to the ***. Said combined *** will apply until *** expires. AMD must own greater than *** (defined in the same manner as for Subsidiary except for the ownership percentage) *** and the *** own the *** except for ***. The *** will derive no more than *** percent of its total revenue from ***. The *** will not be based in *** (which for purposes of this Section 8.7 *** does not include ***). The *** will not have the right to use the licensed technology to provide ***. The *** will not have the right to use the licensed technology other than ***. The *** will not be *** any sooner than *** after the later termination of either the ***. The *** will not be located in ***.

If AMD builds a *** or *** for the purpose of exercising AMD's rights and performing AMD's obligations under the immediately preceding paragraph of this Section 8.7 and AMD and *** cannot utilize all of the combined maximum capacity of ***, then six (6) months prior to start of installation of *** and *** for volume production for any unutilized combined maximum capacity, and yearly thereafter for any uncontracted, unutilized combined maximum capacity, AMD will so notify IBM in writing, and IBM will have the right of first refusal of the unutilized combined maximum capacity at a price to IBM of the then *** for such wafers less *** (***) percent, but in no event will *** under substantially similar terms and conditions. For the capacity that IBM refuses, AMD may sell *** including *** subject to this Section 8.7 to Third Parties (other than those that are not permitted to be a ***) provided AMD pays the royalty specified in Section 5.6. The foregoing notification obligation will cease when the royalty payment obligation for a technology expires.

8.8 IBM and AMD will meet on or about June 30, 2004 to discuss the possibility of continuing "S" Process development for the period beginning upon the expiration of this Agreement and ending on the last day of the quarter following T2 completion of the ***, which end date will not be sooner than *** and not later than *** ("Extension Period"). *** means an enhanced version of the ***. The exact Strategic Technology Objectives will be negotiated by IBM and

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

AMD with the goal of industry leading performance. IBM will attempt to recruit a third and fourth partner for participation in “S” Process development during the term of the Extension Period and AMD will assist IBM in these recruitment efforts and will be flexible in altering the terms and conditions of the “S” Process development to accommodate such third and fourth partners, provided however, the third or fourth partner is not Intel and the Strategic Technology Objectives still seek industry leading performance.

8.9 If IBM and AMD do not reach agreement by December 31, 2004 to a first extension of this Agreement beyond December 31, 2005, then IBM will grant AMD the license and sublicense rights in this Section 8.9 effective as of ***.

IBM hereby grants to AMD a license to the process technology developed by IBM and AMD under this Agreement including SOI Device Information and Bulk CMOS Information to complete development of the *** and develop SOI process technology ***. The license includes the right to sublicense no more than *** wherein AMD contributes at least *** and the right for AMD and the *** to use and disclose the *** and *** to wholly owned subsidiaries, The *** will derive no more than *** percent of its total revenue from ***. The *** will not be based in *** (which for purposes of this Section 8.9 *** does not include ***). The *** will not have the right to use the licensed technology to provide ***. The *** will not be *** no sooner than *** after termination of either the ***. The *** will not be located in ***.

SECTION 9—LICENSE TO RESIDUALS AND PROPRIETARY TOOLS

9.1 Notwithstanding any other provisions of this Agreement, to the extent that such use does not infringe the valid patents, patent applications, registered designs, or copyrights of the other Party, and subject to the provisions of Section 7, each Party shall be free to use the residuals of Specific Results, the other Party’s Background Know-How, and Proprietary Tools, if any, and other confidential information received pursuant to Section 7.2, above, for any purpose, including use in the development, manufacture, marketing, and maintenance of any products and services. The term “residuals” means that information in non-tangible form which may be mentally retained by those Representatives of a Party who have had access to Specific Results or the Background Know-How and Proprietary Tools, if any, of the other Party, pursuant to this Agreement. The Parties agree that the receipt of Specific Results, the Background Know-How, or the Proprietary Tools, if any, of another Party shall not create any obligation in any way limiting or restricting the assignment and/or reassignment of a Party’s Representatives within that Party.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

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- 9.2 Each Party grants to the other Party under the Proprietary Tools provided by that Party for use in the Process Development Projects, an irrevocable, non-exclusive and royalty-free license to use, execute, display, and perform such Proprietary Tools in the ASTC for the purpose of the Process Development Projects. Any Proprietary Tools that are introduced into the ASTC for the purpose of the Process Development Projects may not be transferred from the ASTC or used by a Party outside the ASTC without the express written consent of the Party introducing the Proprietary Tool(s). Any Party providing Proprietary Tools used in the Process Development Projects that are not available from another source or for which there is no reasonable substitute, will, to the extent it has the right to do so, and on terms and conditions (including reasonable fees) to be negotiated, grant a non-exclusive license to the other Party to use such Proprietary Tools outside the Process Development Projects in furtherance of their respective license rights set forth in Section 8.

SECTION 10—OWNERSHIP OF SPECIFIC RESULTS

- 10.1 Except with respect to Designated Inventions, as set forth in Section 11 of this Agreement, and except with respect to Background Know-How, Specific Results shall be the property of both Parties which shall own the mask works, copyright, trade secret, know-how and similar rights in all such material jointly without accounting to the other Party. For the avoidance of doubt, such joint ownership shall include Inventions other than Designated Inventions. Moreover, for the avoidance of doubt, this Agreement shall constitute written consent of such joint owner for the disclosing Party to make the disclosures set forth in Section 7, to the extent such joint consent is required in a given jurisdiction; provided, however, that such assent is subject to the terms and conditions of this Agreement. Before applying to register or record in any country any of the rights or material to which this Section 10 relates, the Parties shall hold consultations and agree on whether this is appropriate and, if so, which of them shall make such application and in which countries.
- 10.2 The joint ownership by the Parties of all copyright and similar right in and to Specific Results shall be subject to Sections 7 and 8; the Parties understand and agree that their status as joint owners does not grant them any rights to utilize Specific Results over and above their respective disclosure rights as set forth in Section 7 of this Agreement.

SECTION 11—OWNERSHIP OF DESIGNATED INVENTIONS

- 11.1 Each Designated Invention made solely by one or more Representatives or contractors of one Party, and title to all patent applications filed thereon and all patents issued thereon, shall be solely the property of the inventing Party, subject to a patent license granted in Section 11.3 below. It shall be in the sole discretion of the inventing party to determine whether or not to file a patent application on an Invention, thereby creating a Designated Invention.

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- 11.2 Designated Inventions made jointly by one or more Representatives or contractors of one Party with one or more Representatives or contractors of any other Party, and title to all patent applications filed thereon and all patents issued thereon, shall be jointly owned by the inventing Parties. Each inventing Party shall have the right to grant licenses (including the right of any licensee to grant sublicenses) to the inventing Party's Subsidiaries and/or to Third Parties under any patent issued on such a joint Designated Invention without compensation to the other inventing Party and/or its or their Representatives or contractors, which hereby give any necessary consent for granting such licenses as may be required by the law of any country. All expenses, other than internal patent department expenses of the Parties, incurred in obtaining and maintaining such patents shall be equally shared by the inventing Parties (except as provided hereinafter). Prior to filing any patent application in respect of any such joint Designated Inventions the inventing Parties shall hold consultations and agree on whether this is appropriate and, if so, which of them shall file and prosecute such application and in which countries corresponding applications shall be filed and by whom. With respect to any joint Designated Invention, where one inventing Party elects not to seek or maintain such protection thereon in any particular country or not to share equally in the expenses thereof, the other inventing Party shall have the right to seek or maintain such protection in said country at its or their own expense and shall have full control over the prosecution and maintenance thereof even though title to any patent issued thereon shall be joint.
- 11.3 With respect to Designated Inventions under Sections 11.1, the owning Party hereby grants the other Party the same rights and obligations with respect to the relevant Specific Results provided for in this Agreement to carry out the activities set forth in this Agreement (including, but not limited to, Sections 7, 8 and 9). With respect to patents issued on said Designated Inventions, the license granted by the owning Party to the other Party shall be an irrevocable (subject to the terms and conditions of this Agreement), worldwide, non-exclusive, royalty-free, paid-up license to make, have made, use, lease, sell, offer to sell, import and otherwise transfer any products and to practice and have practiced any process and shall include the right of such licensed Party to sublicense its Subsidiaries of the same or within the scope of the foregoing license.
- 11.4 Each Party shall give the other Party all reasonable assistance in connection with the preparation or prosecution of any patent application filed by said other Party and shall cause to be executed all assignments and other instruments and documents as said other Party may consider necessary or appropriate to carry out the intent of this Section 11.
- 11.5 Nothing in this Agreement shall affect any patent license agreements between the Parties currently existing, but may confer rights on one or more Parties in addition to the rights they may have under such existing agreements.
- 11.6 To the extent that a license grant under Sections 9 and 11 recites the right to make any product, apparatus and/or material, or practice any method or process in the manufacture of same, such grant shall not be construed as conveying the right to a Party or other entity to "have made" such product apparatus and/or material, or "have practiced" any such method or process, unless such right is expressly recited therein.

11.7 The Project Leaders shall establish a procedure for reviewing Invention disclosures in order to determine which Inventions are subject to the provisions of Section 11.2 of this Agreement relating to joint Inventions.

SECTION 12—TERM AND TERMINATION

12.1 This Agreement shall be in effect from the Effective Date and, unless previously terminated as hereinafter set forth, shall remain in force until December 31, 2005. The term of this Agreement may be extended by the mutual agreement of the Parties. Notwithstanding the foregoing, if the *** slips beyond the expiration date of this Agreement, this Agreement shall be extended for an additional three (3) month period without additional development payments pursuant to Section 5.1. All other terms and conditions of the Agreement will remain in effect during such three (3) month period. If such slippage is greater than three (3) months this Agreement may be extended for additional three (3) month periods by mutual agreement of the Parties; however, AMD shall pay an additional *** dollars (\$***) each per quarter for any such extensions.

12.2 At expiration of this Agreement, Sections 1; 4.9; 5.2, 5.4-5.8 inclusive; 6; 7.1, 7.3-7.10 inclusive; 8; 9; 10; 11; 12; 13; 16; 17; and 18 shall survive and continue after the date of such expiration and shall bind the Parties and their legal representatives, successors and assigns.

12.3 Either Party shall have the right to immediately terminate this Agreement as to a breaching Party (as defined herein) by giving written notice of termination to the other Party if the other Party (the “breaching Party”) 1) permanently ceases doing business; 2) is adjudged bankrupt or insolvent or files a petition for bankruptcy; 3) goes into liquidation; or 4) undergoes a Change of Control.

A “Change of Control” shall be deemed to have occurred if (a) there shall be consummated (i) any consolidation or merger of a Party in which such Party is not the continuing or surviving corporation, or pursuant to which shares of such Party’s common stock would be converted into cash, securities or other property, other than a merger of such Party in which the holders of such Party’s common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of such Party, or (b) the stockholders of a Party shall approve any plan or proposal for the liquidation or dissolution of such Party, or (c) any person (as such term is used in section 13(d) and 14(d) (2) of the Securities Exchange Act of 1934 (the Exchange

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Act”) other than a Party or any employee benefit plans sponsored by such Party, shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the company representing: (i) more than one third of voting securities having the voting power of such Party’s then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise, only if such person and its Subsidiaries exceeded ten billion US dollars in revenue from the sale of microprocessor Semiconductor Products in calendar year 2001; or (ii) fifty percent (50%) or more of voting securities having the voting power of such Party’s then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise.

12.4 If either Party to this Agreement fails to perform or violates any material obligation of this Agreement, then, upon thirty (30) days written notice to the breaching Party specifying such failure or violation (the “Default Notice”), the non-breaching Party may terminate this Agreement as to the breaching Party, without liability, unless:

The failure or violation specified in the Default Notice has been cured within a thirty (30) day period; or

The failure or violation reasonably requires more than thirty (30) days to correct (specifically excluding any failure to pay money), and the breaching Party has begun substantial corrective action to remedy the failure or violation within such thirty (30) day period and diligently pursues such action, in which event, termination shall not be effective unless ninety (90) days has expired from the date of the Default Notice without such corrective action being completed and the failure or violation remedied.

12.5 Notwithstanding any provision to the contrary elsewhere in this Agreement, the non-breaching Party shall have the right to terminate all licenses and disclosure rights granted to the breaching Party pursuant to Sections 7, 8, 9, 10 and 11. If such licenses are terminated, the breaching Party shall immediately return to the non-breaching Party, or destroy, any documentation or materials embodying Specific Results and/or Background Know-How, and such return or destruction shall be certified to the non-breaching Party, in writing, by an officer of the breaching Party. Notwithstanding any such termination of licenses and disclosure rights to the breaching Party, the rights granted by the breaching Party to the non-breaching Party shall survive and remain in full force and effect. In addition, the breaching Party shall continue to be bound by the limitations and obligations set forth in Sections: 1; 4.9 and 4.10; 5; 6; 7.1, 7.3, 7.4; 8.6; 9.2; 12; 13; 16; 17; and 18.

SECTION 13—FUNDS TRANSFER, NOTICES AND OTHER COMMUNICATIONS

13.1 Any notice or other communication required or permitted to be given to either Party pursuant to this Agreement shall be sent to such Party by facsimile or by registered airmail, postage prepaid, addressed to it at its address set forth below, or to such other address as it may designate by written notice given to the other Party. All payments due hereunder to IBM shall be made to IBM by telegraphic transfer or other equally expeditious means and IBM shall notify the other Party within thirty (30) days of the date of this Agreement of the account and other details needed by the other Party in order to effect such transfer. Any such payment, invoice, notice or other communication shall be effective on the date of receipt. The addresses are as follows:

13.1.1 In the case of IBM,
for mailing notices and other communications to IBM:

IBM Corporation
2070 Route 52
Hopewell Junction, NY 12533
Fax: ***
Attention: ***

With a copy to:

H.C. Calhoun
IBM Corporation
Drop 92B
2070 Route 52
Hopewell Junction, NY 12533
Fax: (845) 892-5358
Attention: Associate General Counsel, Microelectronics

for electronic funds transfer to IBM:

IBM, Director of Licensing

United States of America
Credit Account No. ***
ABA No. ***

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

13.1.2 In the case of AMD,
for mailing notices and other communications to AMD:
AMD
One AMD Place
PO Box 3453, MS150
Sunnyvale, CA 94088
Tel: (408)749-2202
Fax: (408)774-7399
Attention: General Counsel

SECTION 14—POTENTIAL EXPANSION OF PROCESS DEVELOPMENT PROJECTS

Either Party may submit a request to the Management Committee to expand the scope of the Process Development Projects as set forth in Section 3.1. In order to expand the scope of the Process Development Projects the Management Committee must mutually agree and submit such proposal to the senior executives of the Parties, as defined in Section 4.1.1 for review. If the Parties agree to a change of scope, any such agreement must be set forth in a signed amendment to this Agreement. In determining whether or not to expand the scope of the Process Development Projects, the Parties shall evaluate each such request in light of the overall impact such modification would have on the Strategic Technology Objectives and Development Schedule of the Process Development Projects, set forth in Exhibits A and B, as well as cost, schedule, and other business objectives.

SECTION 15—FORCE MAJEURE

15.1 Either Party hereto shall be excused from the fulfillment of any Process Development Project obligation, except for payment obligations, under this Agreement for so long as such fulfillment may be hindered or prevented by any circumstances of force majeure such as but not limited to acts of God, war, riot, strike, lockout, labor unrest, fire, flood, other natural catastrophe, shortage of materials or transportation, national or local government regulations or any other circumstance outside its control, provided that the Party seeking to be excused shall make every reasonable effort to minimize the hindrance of such fulfillment.

15.2 Upon the ending of such circumstance, the Party excused shall without undue delay resume the fulfillment of obligations affected.

SECTION 16—TAXES

Each Party shall bear and pay all taxes (including, without limitation, sales and value added taxes but excluding income tax as specified below) imposed by its own national government, including any political subdivision thereof, as the result of the existence of this Agreement or the exercise

of rights hereunder. If either Party is required by its national government to pay income tax in respect of the payments and/or royalties made by it to either or both of the other Parties, said Party shall pay such income tax on behalf of said other Party. Said Party may deduct such income tax from said payments and/or royalties otherwise due and shall furnish said other Party, within a reasonable time after its receipt of tax certificates from the applicable government entity such certificates and other evidence of deduction and payment thereof as said Party may properly require. In addition, each Party may independently pursue any applicable tax credit for its share of expenses related to the Process Development Projects.

SECTION 17—LIMITATION OF LIABILITY

- 17.1 In no event shall either Party be liable to the other Party for incidental damages, punitive damages, lost profits, lost savings or any other such damages, including consequential damages, regardless of whether the claim is for breach of contract, breach of warranty, tort (including negligence), failure of a remedy to accomplish its purpose or otherwise, even if such Party (or any Subsidiary) has been advised of the possibility of such damages.
- 17.2 In no event shall either Party's (or its respective Subsidiaries') aggregate liability to the other Party for actual direct damages in connection with any claim or claims relating to this Agreement exceed the amount of *** United States dollars (US \$***), regardless of the form of action, provided that this limitation will not apply to: i) any claim for payment of a sum or sums properly due under this Agreement; ii) breach of confidentiality or license; or iii) death, personal injury or physical damage to real property or tangible personal property resulting from a Party's own negligence, or that of its employees, agents or subcontractors.
- 17.3 Nothing contained herein shall limit either Party's right to seek a preliminary injunction, temporary restraining order or any other equitable relief in order to avoid material harm to its property, rights or other interests. The Parties agree that for breaches of confidentiality or license provisions the Party whose license grant or confidential information has been breached ("non-breaching Party") shall suffer irreparable harm and that remedies at law may be insufficient; therefore, the non-breaching Party may seek any remedy at law or in equity, including but not limited to, preliminary injunction, injunction, and/or a temporary restraining order, without having to prove either failure of a remedy at law or irreparable harm.
- 17.4 In no event shall either Party (or its respective Subsidiaries) be liable for any damages claimed by the other Party based on any Third Party claim, except as specifically set forth in Section 17.2 (iii) above.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

SECTION 18—GENERAL

- 18.1 Nothing contained in this Agreement shall be construed as conferring any right to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of either Party hereto (including any contraction, abbreviation or simulation of any of the foregoing); and each Party hereto agrees not to disclose to other than its Subsidiaries the terms and conditions of this Agreement except as may be required by law or government rule or regulation, without the express written consent of the other Party. Notwithstanding the foregoing, 1) the Parties shall be permitted to disclose a summary of pertinent Sections of this Agreement that are reasonably necessary for disclosing and/or licensing under this Agreement, and 2) each Party shall be permitted to disclose pertinent Sections of this Agreement to such Party's independent accounting firm and outside attorneys; provided, however, that any such disclosure is under a written agreement containing restrictions of confidentiality at least as stringent as those contained herein.
- 18.2 This Agreement shall be construed, and the legal relations created herein between the Parties shall be determined exclusively, in accordance with the laws of the United States of America and, specifically, the State of New York, without regard to conflicts of law, as if said Agreement were executed in, and fully performed within, the State of New York. Any proceeding to enforce, or to resolve disputes relating to, this Agreement shall be brought before a court of competent jurisdiction in the State of New York, including a Federal District Court, sitting within such State. Parties hereby expressly waive any right to a jury trial and agree that any proceeding hereunder shall be tried by a judge without a jury. In any proceedings no Party shall assert that such court lacks jurisdiction over it or the subject matter of the proceeding.
- 18.3 In the event of any dispute under this Agreement, and as a condition precedent to any Party filing suit, instituting a proceeding or seeking other judicial or governmental resolution in connection therewith, the Parties will attempt to resolve such dispute by negotiation in accordance with the following dispute resolution process. Excepting only that a Party may institute a proceeding seeking an order for payment of any sum properly due and unpaid, a preliminary injunction, temporary restraining order, or other equitable relief, if necessary in the opinion of that Party to avoid material harm to its property, rights or other interests, before commencing or at any time during the course of, the dispute procedure in this Section 18.3.
- 18.3.1 Such negotiations shall first involve the individuals in the Management Committee. These individuals will exercise reasonable efforts to resolve such dispute.
- 18.3.2 If such negotiations do not result within thirty (30) calendar days of their receipt of a written referral to them in a resolution of the dispute, the dispute will be referred in writing to the senior executives named in Section 4.1.1, above, which senior executives shall discuss and meet in person, if necessary, in order to attempt to negotiate a resolution to the dispute.

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- 18.3.3 Except as set forth above, no Party shall file suit, institute a proceeding or seek other judicial or governmental resolution of the dispute until at least sixty (60) calendar days after the first meeting between the senior executives.
- 18.4 In the event that any litigation occurs between or among the Parties pertaining to this Agreement and any technical issues arise in the course thereof, the Parties shall make good faith efforts to select one or more neutral mutually acceptable technical experts with expertise in the pertinent technical issues to assist the court in understanding and evaluating such issues.
- 18.5 Nothing contained in this Agreement shall be construed as conferring on any Party any license or other right to copy the exterior design of any product of the other Party.
- 18.6 No Party shall assign any of its rights or obligations under this Agreement without prior written permission from the other Party. If any Party reorganizes its business so as to set up a Related Subsidiary or Wholly Owned Subsidiary that shall include the entire business and assets responsible for such Party's performance of its obligations under this Agreement then the other Party agrees that the permission to assign to such Related Subsidiary or Wholly Owned Subsidiary shall not be unreasonably withheld. Any attempted such assignment without such permission shall be null and void.
- 18.7 No actions, regardless of form, arising out of this Agreement, except for non-payment actions or intellectual property actions, may be brought by either Party more than two (2) years after the cause of action has arisen.
- 18.8 Each Party shall be responsible for compliance with all applicable laws, regulations and ordinances. In addition, no Party and none of its agents or employees acting on behalf of said Party will export or re-export any confidential information of the other Party, or any process, product or service that is produced as a result of the use of such confidential information, to any country specified in the applicable laws and regulations of the United States as a prohibited destination, without first obtaining the relevant government's approval, if required. As of the Effective Date the countries and nationals excluded for Specific Results and Proprietary Tools under the United States export laws and regulations are: Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria.
- 18.9 All monetary amounts specified herein are in lawful money of the United States of America. Any action required herein to be taken by a specified calendar month shall be taken by the last day of said month.
- 18.10 Neither this Agreement nor any activities hereunder shall impair any right of any Party to design, develop, manufacture, sell, market, service, or otherwise deal in, directly or indirectly, manufacturing processes, products or services developed by such Party completely independent of this Agreement, including those which are competitive with those offered by any Party. Subject to the confidentiality and license limitations set forth in this Agreement, each Party may pursue activities independently with any Third Party even if similar to the activities under this Agreement.

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- 18.11 Each Party is an independent contractor and not an agent, employee or fiduciary of any other Party for any purpose whatsoever. No Party shall make any warranties or representations on any other's behalf, nor shall it assume or create any other obligations on any other's behalf. Nothing herein shall be taken to constitute a partnership or joint venture between or among the Parties hereto.
- 18.12 Press releases and other like publicity or advertising relating to this Agreement and/or which mentions the other Party by name shall be agreed upon by the Parties in writing prior to any release, such agreement not to be unreasonably withheld.
- 18.13 If any section or subsection of this Agreement is found by competent judicial authority to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of any such section or subsection in every other respect and the remainder of the terms of this Agreement shall continue in effect so long as the amended Agreement still expresses the intent of the Parties. If the intent of the Parties cannot be preserved, the Agreement shall be renegotiated with the Parties substituting for any invalid or unenforceable provision a valid or enforceable provision that achieves to the greatest extent possible the same effect as would have been achieved by the invalid or unenforceable provision.
- 18.14 Any waiver by either Party of any breach of, or failure to enforce at any time, any of the provisions of any of this Agreement, shall not be construed as or constitute a continuing waiver of such provision, or a waiver of any other provision of this Agreement, nor shall it in any way affect the validity of any of this Agreement or any part thereof, or the right of either Party thereafter to enforce each and every provision of any of this Agreement.

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EXHIBIT A: TECHNICAL OBJECTIVES*

EXHIBIT B: PROJECTED SCHEDULE*

EXHIBIT C: AMD STAFFING*

EXHIBIT D: MANAGEMENT COMMITTEE RESPONSIBILITIES

EXHIBIT E: PROJECT LEADER RESPONSIBILITIES

EXHIBIT F: VISITATION GUIDELINES

EXHIBIT G, H and I, Intentionally Left Blank

EXHIBIT J: DOCUMENTATION

* Confidential treatment requested.

A.1 *** TECHNICAL OBJECTIVES

Strategic Technology Objectives

Technology Implementation Options

The *** technology may include the following features if needed and technically feasible:

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

A.2 *** TECHNICAL OBJECTIVES

Strategic Technology Objectives

Technology Implementation Options

The *** technology may include the following features if needed and technically feasible:

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

A.3 * TECHNICAL OBJECTIVES**

Strategic Technology Objectives

Technology Implementation Options

The *** technology may include the following features if needed and technically feasible:

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

A.4 *** TECHNICAL OBJECTIVES

Strategic Technology Objectives

Technology Implementation Options

The *** technology may include the following features, if needed and technically feasible:

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

A.5 *** TECHNICAL OBJECTIVES

Strategic Technology Objectives

Technology Implementation Options

The *** technology may include the following features if needed and technically feasible:

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

PROJECTED SCHEDULE

PROJECT	***	***	***	***	***†
T – Bulk date	***	***	***	***	***
T1	***	***	***	***	***
T2‡	***	***	***	***	***

† *** DATES ARE BEYOND SCOPE OF THIS AGREEMENT

‡ DEPENDENT ON THE AVAILABILITY OF A SUITABLE CUSTOMER PRODUCT

Checkpoint Definitions:

T–Bulk date: Initially identify elements of the relevant Process Development Project that IBM plans to use in IBM’s Bulk CMOS

T1: yield process and reliability demonstration on an integrated process Test Site

T2: meets functional requirements for an SOI Integrated Circuit product (not Test Site)

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

AMD STAFFING ALLOCATION*

<u>Technical AREA</u>	<u>EXAMPLE</u>	<u>Proposed AMD Engineers**</u>
FEOL Integration	Integration	TBD
FEOL Unit Process	RIE, Hot, Clean, CMP, CVD, Silicide, oxide	TBD
Other FEOL Module Development	SOI material, SiGe, etc.	TBD
Lithography	Resist, metrology, OPC, Stepper Application	TBD
Other Lithography + Model	Data prep, Modeling, ESD	TBD
BEOL Integration	Integration	TBD
BEOL Unit Process	SiLK, CVD, RIE, Liner, CMP	TBD
Device Design	Device, Characterization, manual	TBD
Device	Device Modeling, SPICE Modeling	TBD
Product Engineering Associated with Process Qualification	Test Program, Failure Analysis	TBD

* The Staffing Allocation will be determined by the mutual agreement of the IBM Project Leader and AMD Deputy Project Leader.

** These engineers are expected to be productive immediately and should have enough experience in the given technology area to work independently and lead sub teams.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

MINIMUM STAFFING PARTICIPATION
(Average Annual Staffing Level)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
AMD	***	***	***

Ramp to this staffing level by end of ***. For the avoidance of doubt, until ***, no compensation pursuant to Section 4.3 shall be required for failure to meet the minimum staffing requirements.

*** Confidential information omitted and filed separately with the Securities and Exchange Commission.

RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE

- Approve changes in Strategic Technical Objectives as set forth in Exhibit A*
- Approve changes of schedules of the Projects set forth in Exhibit B*
- Establish a regular review process on no more than a quarterly basis with business executives of each of the Parties of at least the level of Vice President or other comparable level.
- Approve external communications about the goals of the Projects and external publications*
- Resolve such other items as the Management Committee deems appropriate or as indicated elsewhere in the Agreement as requiring the agreement of the Management Committee.

* Items marked require unanimous approval of the Management Committee

All other responsibilities, including day-to-day management responsibility for the results to be achieved under the Agreement, shall reside with the IBM Project Leader with the help of the AMD Deputy Project Leader.

RESPONSIBILITIES OF THE IBM PROJECT LEADER

Project organization and coordination

- Responsible for implementation of directives from the Management Committee for the Process Development Projects
- Responsible for identification and presentation to Management Committee of those items which need Management Committee approval
- Responsible for Project reporting at Management Committee reviews
- Responsible for quarterly reports (technology status, milestones).
- Responsible for allocation of Project resources
- Responsible for review and approval of technical publications
- Responsible for determining the organizational structure of the Project Team and appointing key technical leaders and project managers to execute Projects
- Responsible for managing the IBM infrastructure to support the Project Activities
- Responsible for Project schedule planning
- Responsible for management of IBM Personnel
- Responsible for completion of Documentation for each Process Development Projects

RESPONSIBILITIES OF THE AMD DEPUTY PROJECT LEADER

- Responsible for implementation of directives from the Management Committee for the Projects
- Responsible for identification and presentation to Management Committee of those items which need Management Committee approval
- Responsible for Project reporting at Management Committee reviews
 - Responsible for quarterly reports (technology status, milestones)
 - Responsible for review and approval of technical publications
 - Responsible for management of respective Party's personnel
- Responsible for completion of Documentation for each Process Development Projects

VISITATION GUIDELINES

- 1.0 IBM shall issue security badges to visitors. Security badges must be returned by visitors at the end of each assignment. Security badges must be visibly displayed at all times by visitors while on IBM premises. If the security badge is lost or stolen, the IBM Technical Coordinator shall be immediately advised. Security badges shall not be loaned or interchanged.
- 2.0 Visitors shall only enter those buildings, departments, or areas which are specifically designated by the IBM Technical Coordinator and for which entry is required under this Agreement.
- 3.0 Visitors shall comply with all log-in/log-out requirements when entering or leaving IBM buildings and/or designated work areas.
- 4.0 Visitors shall comply with all security and safety guidelines which are posted on IBM premises and/or are otherwise specified by IBM.
- 5.0 IBM copying equipment and/or other IBM equipment (such as data processing equipment and word processing equipment) shall not be used by visitors except with prior approval of the IBM Technical Coordinator.
- 6.0 Visitors shall not disturb materials lying on IBM desks, mounted on easels or displayed on chalkboards.
- 7.0 Visitors shall promptly leave buildings and department areas after completing work assignments.
- 8.0 Visitors shall not leave IBM external doors propped open. No IBM materials shall be removed from buildings without prior written approval.
- 9.0 Alcoholic beverages, illegal drugs, guns and ammunition, cameras, and recording devices are not permitted on IBM premises.

EXHIBITS G, H and I LEFT INTENTIONALLY BLANK

DOCUMENTATION

Wafer Process And Characterization Documentation

Process routing

Process of Record (POR)

- Process change history

Process assumptions

Process engineering specifications

Unit process descriptions and characterization (rate, uniformity, selectivity, particle, etc.)

Process recipes for critical unit processes

Specification Sheets for critical dimensions, overlay

ED analysis data of critical layers (litho process widow)

Cp/Cpk for critical measurements

List of critical tools including QC tools

Critical Equipment specifications

- Critical maintenance procedures

TEM Cross Sections (both center and edge)

Finished wafer: STI, GC, CS, LI, Interconnect spacer edge, LI bottom on STI, CS bottom, Via bottom

In Line wafer: After GC etch, after spacer-1 etch, after spacer-2 etch, after CS etch, after V2 etch, after M2 etch

Tool control/monitor data for critical tools

Material Specifications for critical materials

Defect Catalog

SOI Wafer Specification

Bill Of Materials For wafers

SIMS data (as available)

Device design and modeling:

- SOI device model
- Parameter extraction
- AC Performance Verification
- Tolerance data
- Compact model

-
- Device-level library
 - HSpice convergence
 - Body contact modeling
 - SOI Resistor and capacitor
 - ESD circuitry at I/O pads

Technology Qualification Vehicle Documentation

Technology Design Manual

Test Site description

- Groundrule waivers

Kerf description document

In-Line Electrical Specification document

Layout & mask information (for Test Site) in GDSII format

Reliability Documentation

Qualification plan

Early reliability stress results on Test Site (devices, interconnects, capacitor) including NBTI

Physical failure analysis data after E, SM reliability tests

Electrical Results

Test programs (for IBM Proprietary Tool—electrical tester)

Functional test

Burn-In/reliability

T2 Product Characterization data for SOI Integrated Circuit product

(dependent on availability of common IBM / AMD product)

Lithography Documentation

- Mask fabrication specifications
- Mask data processing sequence including OPC/PPC

-
- Method of process characterization to extract OPC/PPC data correction parameters for the correction software
 - Mask qualification procedure
 - Specific mask making tool selection and its derived mask fabrication specification if exists

Additional requests for Documentation shall be by the mutual agreement of the Project Leaders, which agreement shall not be unreasonably withheld. If, however, the Project Leaders do not agree, such Party may escalate the lack of agreement among the Project Leaders to the Management Committee for resolution. In addition, such Party may access information available during the Process Development Projects and document such information for the purpose of transferring such information to its own manufacturing facilities. All such documentation shall be made available to all three (3) Parties.

**ADVANCED MICRO DEVICES, INC.
LIST OF SUBSIDIARIES**

Name of Subsidiary

Domestic Subsidiaries	State or Jurisdiction in Which Incorporated or Organized
Advanced Micro Ltd.	California
AMD Corporation	California
AMD Far East Ltd.	Delaware
AMD International Sales and Service, Ltd.	Delaware
AMD Texas Properties, LLC	Delaware
AMD Latin America Ltd.	Delaware
AMD Saxony LLC	Delaware
AMD Reinsurance Co. Inc.	Hawaii
Foreign Subsidiaries	
Advanced Micro Devices S.A.N.V.	Belgium
AMD South America Limitada (1)	Brazil
Advanced Micro Devices (Canada) Limited	Canada
Advanced Micro Devices (Suzhou) Limited (2)	China
AMD International Trading (Shanghai) Co. Ltd.	China
Advanced Micro Devices S.A.	France
Advanced Micro Devices GmbH	Germany
AMD Saxony Holding GmbH	Germany
AMD Saxony Limited Liability Company & Co. KG (8)	Germany
AMD Saxony Admin GmbH (3)	Germany
AMD Foreign Sales Corporation	Guam
Advanced Micro Devices S.p.A.	Italy
AMD Japan Ltd.	Japan
Advanced Micro Devices Sdn. Bhd.	Malaysia
Advanced Micro Devices Export Sdn. Bhd. (4)	Malaysia
AMD (Netherlands) B.V. (5)	Netherlands
Advanced Micro Devices (Singapore) Pte. Ltd.	Singapore
AMD Holdings (Singapore) Pte. Ltd.	Singapore
AMD Investments (Singapore) Pte. Ltd.	Singapore
Advanced Micro Devices AB	Sweden
Advanced Micro Devices S.A. (7)	Switzerland
AMD (Thailand) Limited (6)	Thailand
Advanced Micro Devices (U.K.) Limited	United Kingdom

(1) Subsidiary of AMD International Sales and Service, Ltd. and AMD Far East Ltd.

(2) Subsidiary of AMD Holdings (Singapore) Pte. Ltd.

(3) Subsidiary of AMD Saxony Holding GmbH

(4) Subsidiary of Advanced Micro Devices Sdn. Bhd.

(5) Subsidiary of Advanced Micro Devices Export Sdn. Bhd.

(6) Subsidiary of Advanced Micro Devices (Singapore) Pte. Ltd.

(7) Subsidiary of AMD International Sales and Service, Ltd.

(8) Subsidiary of AMD Saxony Holding GmbH and AMD Saxony Admin GmbH

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints W. J. Sanders III and Robert J. Rivet, 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 29, 2002, 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ W. J. SANDERS III</u> W. J. Sanders III	Chairman of the Board	March 9, 2003
<u>/s/ HECTOR DE J. RUIZ</u> Hector de J. Ruiz	Director, President and Chief Executive Officer	March 13, 2003
<u>/s/ ROBERT J. RIVET</u> Robert J. Rivet	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	March 14, 2003
<u>/s/ FREDERICH BAUR</u> Frederich Baur	Director	March 10, 2003
<u>/s/ CHARLES M. BLALACK</u> Charles M. Blalack	Director	March 7, 2003
<u>/s/ R. GENE BROWN</u> R. Gene Brown	Director	March 7, 2003
<u>/s/ ROBERT PALMER</u> Robert Palmer	Director	March 13, 2003
<u>/s/ JOE L. ROBY</u> Joe L. Roby	Director	March 7, 2003
<u>/s/ LEONARD SILVERMAN</u> Leonard Silverman	Director	March 7, 2003

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