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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 31, 2000

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)

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

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

(Title of each class)	(Name of each exchange on which registered)
----- \$.01 Par Value Common Stock	----- New York Stock Exchange

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

None

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

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

Aggregate market value of the voting stock held by non-affiliates as of
February 26, 2001.

\$7,175,108,834

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

314,747,355 shares as of February 26, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Portions of the Annual Report to Stockholders for the fiscal year ended
December 31, 2000, are incorporated into Parts II and IV hereof.
- (2) Portions of the Proxy Statement for the Annual Meeting of Stockholders to be
held on April 26, 2001, are incorporated into Part III hereof.

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AMD, Advanced Micro Devices, AMD-K6, AMD Athlon, AMD Duron and 3DNow! are
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PART I

ITEM 1. BUSINESS

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to increase customer and market acceptance of AMD Athlon(TM) and AMD Duron(TM) microprocessors, our seventh-generation microprocessors; our ability to maintain average selling prices for our seventh-generation microprocessors; our ability, and the ability of third parties, to provide timely infrastructure solutions (chipsets and motherboards) to support our microprocessors; the effect of foreign currency hedging transactions; our new submicron integrated circuit manufacturing and design facility located in Dresden, Germany (Dresden Fab 30); our ability to ramp production in Dresden Fab 30 and 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" contained in our 2000 Annual Report to Stockholders, 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

Advanced Micro Devices, Inc. was 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 to "AMD," "we" and "us" in this report include our subsidiaries.

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

For segment information with respect to sales, operating results and identifiable assets, refer to the information set forth in Note 9 of the Consolidated Financial Statements contained in our 2000 Annual Report to Stockholders.

For a discussion of the risk factors related to our business operations, please see the "Cautionary Statement Regarding Forward-Looking Statements," "Risk Factors" and "Financial Condition" sections set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our 2000 Annual Report to Stockholders.

The IC Industry

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

The market for ICs can be divided into separate markets for digital and analog devices. We participate primarily 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;
- . 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.

A discussion of the principal parts of the digital IC market in which we participate follows.

The microprocessor market is comprised of two broad categories, which are based on the function of the products. A microprocessor that performs computing tasks is known as the Central Processing Unit (CPU) of a computer system. Microprocessors used for control applications are often referred to as embedded processors. AMD participates primarily in the CPU category, which is the largest category within the microprocessor market.

A CPU processor is an IC generally consisting of millions of transistors that serves as the brain of a computer system such as a PC. The microprocessor is typically the most critical component to the performance and efficiency of a PC. The microprocessor controls data flowing through the electronic system and manipulates such data as specified by the hardware or software which controls the system. In 1981, IBM introduced its first PC containing a microprocessor based upon the x86 instruction set developed by Intel Corporation and utilizing the Microsoft (R) Corporation MS-DOS (R) operating system. As circuit design and very large scale integration process technology have evolved, performance and functionality of each new generation of x86 microprocessors have increased. The x86 microprocessor market has been dominated by Intel since IBM's introduction of the PC.

The x86 microprocessor market is characterized by intense competition, short product life cycles, and rapid advances in product design and process technology. Today, the greatest demand for microprocessors is from PC manufacturers. With few exceptions, PC manufacturers require x86 microprocessors which are Microsoft Windows (R) compatible. Improvements in the performance characteristics of microprocessors and decreases in production costs resulting from advances in process technology have broadened the market for PCs and increased the demand for microprocessors.

The PC original equipment manufacturer (OEM) market is highly competitive. Most PC suppliers have evolved from fully integrated manufacturers with proprietary system designs to vendors focused on building brand recognition and distribution capabilities. Almost all of these suppliers now rely on Intel or on third-party manufacturers for the major subsystems of their PCs, such as the motherboard and chipsets. These suppliers are also increasingly outsourcing the design and manufacture of complete systems. The third-party manufacturers of these subsystems, based primarily in Asia, are focused on providing PCs, motherboards and complementary chipset devices that incorporate the latest trends in features and performance at low prices. Increasingly, these third-party manufacturers are also supplying fully configured PC systems through alternative distribution channels.

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

The Memory Market

Memory ICs store data and instructions, and are characterized as either volatile or non-volatile. Volatile devices lose their stored information after electrical power is shut off, while non-volatile devices retain their stored information. The three most significant categories of semiconductor memory are (1) Dynamic Random Access Memory (DRAM) and (2) Static Random Access Memory (SRAM), both of which are volatile memories, and (3) non-volatile memory, which includes Read-Only Memory (ROM), Erasable Programmable Read-Only Memory (EPROM), Electrically Erasable Electrically Programmable Read-Only Memory (EEPROM) and Flash memory devices. DRAM provides large capacity main memory, and SRAM provides specialized high-speed memory. We do not produce any DRAM products, which are the largest part of the memory market, or SRAM products. Flash and other non-volatile memory devices are used in applications in which data must be retained after power is turned off. However, ROM cannot be rewritten, EPROM requires ultraviolet light as part of an erasure step before it can be rewritten, and EEPROM utilizes a larger, more expensive, memory cell.

Several factors have contributed to an increasing demand for memory devices in recent years, including the:

- . expanding unit sales of PCs in the business and consumer markets;
- . 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.

Flash memory devices are being utilized for an expanding range of uses. Flash memory devices have a size and cost advantage over EEPROM devices, and the ability of Flash memory devices to be electrically rewritten to update parameters or

system software provides greater flexibility and ease of use than other non-volatile memory devices, such as ROM or EPROM devices. Flash memory devices can store control programs and system-critical data in communication devices such as cellular telephones and routers (devices used to transfer data between local area networks). Another common application for Flash memory product is in PC cards, which are inserted into notebook and subnotebook computers or personal digital assistants to provide added data storage.

The Logic Market

Logic devices consist of structurally interconnected groupings of simple logical "AND" and logical "OR" functions, commonly described as "gates." Typically, complex combinations of individual gates are required to implement the specialized logic functions required for system applications. The greater the number of gates on a logic device, the higher that logic device's density and, in general, device cost (for a particular process and architecture). Logic devices are generally grouped into five families of products (from lowest density to highest density):

- . standard logic devices;
- . programmable logic devices (PLDs);
- . conventional gate-arrays;
- . standard cells; and
- . full custom ICs.

Conventional gate-arrays, standard cells and full-custom ICs are often referred to as application-specific ICs (ASICs).

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

A growing category of the full custom IC market is Application Specific Standard Products (ASSPs). In this category, a full custom design, such as an Ethernet controller, is used to implement a particular function and is sold to multiple customers. Because the market requirements for these products have become increasingly standard, they can achieve the cost advantages of full custom design with the time to market advantages of a standard product. Almost all of our networking products are a part of the ASSP category.

Unlike ASICs and standard logic ICs, PLDs are standard products, purchased by system manufacturers in an unprogrammed or blank state. Each system manufacturer may then program the PLDs to perform a variety of specific logic functions. Certain PLDs are reprogrammable. Compared to standard logic ICs and ASICs, PLDs allow system designers to design and implement custom logic more quickly. On June 15, 1999, we sold Vantis Corporation (Vantis), our PLD subsidiary, to Lattice Semiconductor Corporation (Lattice), and we now function as a foundry and provide administrative services to Vantis.

Product Segments

In 2000, we participated in all three technology areas within the IC market--microprocessors, memory circuits and logic circuits--through our Core Products, Voice Communications and Foundry Services segments. Our Core Products segment includes our PC processors, Memory products and Other IC products. PC processors include AMD seventh-generation microprocessors and AMD-K6 (R) microprocessors. Memory products include Flash memory devices and EPROM devices. Other IC products include embedded processors, platform products and networking products. Our Voice Communications segment consisted of our voice communications products subsidiary, Legerity, Inc. (Legerity), until July 31, 2000, the effective date of its sale. Our Foundry Services segment consists of fees for services that we provide to Legerity and Vantis, our former PLD subsidiary.

On August 4, 2000, we completed the sale of 90 percent of Legerity for approximately \$375 million in cash, effective July 31, 2000. We retained a ten percent ownership interest in Legerity and a warrant to acquire approximately an additional ten percent. As part of the transaction, we entered into various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

Core Products

Core Products (\$4.361 billion, or 94 percent, of our 2000 net sales) include PC processor, memory and other IC products, with the majority of the Core Products segment's net sales being derived from PC processors and Flash memory devices.

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PC Processors

In 2000, our most significant microprocessor product sales were from the AMD Athlon(TM) and AMD Duron(TM) processors, our seventh-generation microprocessor products. The AMD Athlon and AMD Duron microprocessors are based on superscalar RISC architecture and are designed to be compatible with operating system software such as Windows 2000, Windows NT(R), Windows 98 (and their predecessor operating systems), Linux, Netware and UNIX.

We began volume shipments of AMD Athlon microprocessors in the second half of 1999. The AMD Athlon processor is an x86-compatible, seventh-generation design featuring:

- . a superpipelined, nine-issue superscalar microarchitecture optimized for high clock frequency;
- . a fully pipelined, superscalar floating point unit;
- . high-performance backside L2 cache interface;
- . enhanced 3DNow!(TM) technology with 24 additional instructions designed to improve integer math calculations, data movements for Internet streaming, and digital signal processor (DSP) communications; and
- . a system bus which is a 200 MHz system interface based on the Alpha(TM) EV6 bus protocol with support for scalable multiprocessing.

We began shipments of AMD Duron processors in the second half of 2000. The AMD Duron processor, a derivative of the AMD Athlon processor core, is designed to provide an optimized solution for value-conscious business and home users, and features:

- . full-speed, on-chip L2 cache memory;
- . a 200 MHz front side system bus; and
- . a superscalar floating point unit with enhanced 3DNow! technology.

Our overall PC processor sales growth in 2001 depends upon a continuing successful production ramp in Dresden Fab 30, timely volume availability of chipsets and motherboards from third party suppliers and increasing commercial and consumer market acceptance of AMD Athlon and AMD Duron microprocessors.

Our microprocessor products have and will continue in 2001 and 2002 to make significant contributions to our overall revenues, profit margins and operating results. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. Our ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon the success of our seventh-generation and future generations of microprocessors beginning with the "Hammer" family of microprocessors that we plan to introduce in 2002. The Hammer processors will be our first processors capable of 64-bit operation, and are being designed to deliver leading-edge performance on both the 64-bit software used by high-end workstations and servers and the 32-bit software used by the majority of desktop users.

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 process technologies at a fast pace and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds.

Intel has dominated the market for microprocessors used in PCs for many years. Because of its dominant market position, Intel has historically set and controlled x86 microprocessor and PC system standards and, thus, dictated the type of product the market requires of Intel's competitors. In addition, Intel may and does vary prices on its microprocessors and other products at will and thereby affects the margins and profitability of its competitors due to its financial strength and dominant position. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand and other marketing programs. Intel invests billions of dollars in, and as a result exerts influence over, many other technology companies. We expect Intel to continue to invest heavily in research and development, new manufacturing facilities and other technology companies, and to remain dominant:

- . through the Intel Inside and other marketing programs;
- . through other contractual constraints on customers, retailers, industry suppliers and other third parties;
- . by controlling industry standards; and
- . by controlling supply and demand of motherboards, chipsets and other system components.

As an extension of its dominant microprocessor market share, Intel also dominates the PC platform. As a result, PC manufacturers have been increasingly unable to innovate and differentiate their product offerings. We do not have the financial resources to compete with Intel on such a large scale. As long as Intel remains in this dominant position, we may be materially and adversely affected by its:

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

As Intel expanded its dominance over the PC system platform, many PC manufacturers reduced their system development expenditures and now purchase microprocessors together with chipsets or in assembled motherboards from Intel. PC OEMs are increasingly dependent on Intel, less innovatively on their own and, to a large extent, distributors of Intel technology. In marketing our microprocessors to these OEMs and dealers, we depend upon 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. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes, and will continue to make, it increasingly difficult for these third parties to retain or regain market share.

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 the Pentium III, Pentium IV and Celeron processors 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, the AMD Athlon and AMD Duron microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. The same will be true of our Hammer family microprocessors. Our ability to compete with Intel in the market for seventh-generation and future generation microprocessors will depend on our:

- . success in designing and developing the microprocessors; and
- . ability to ensure that the microprocessors can be used in PC platforms designed to support our microprocessors, or that platforms are available which support both Intel processors and our processors.

Memory Products

Our Flash memory devices are used in cellular telephones, networking equipment and other applications that require memory to be non-volatile and electrically rewritten. This feature provides greater flexibility and ease of use than EPROMs and other similar integrated circuits that cannot be electrically rewritten. Flash memory devices also have a size and cost advantage over EEPROM devices. Communications companies use Flash memory devices in cellular telephones and related equipment to enable users to add and modify frequently called numbers and to allow manufacturers to preprogram firmware and other information. In networking applications, Flash memory devices are used in hubs, switches and routers to enable systems to store firmware and reprogrammed Internet addresses and other routing information. Use of Flash memory devices is proliferating into a variety of other applications, such as set-top boxes, automotive control systems, personal digital assistants, digital cameras and other consumer electronic items.

Competition in the market for Flash memory devices will increase in 2001 and beyond as existing manufacturers introduce new products and industry-wide production capacity increases. In 2000, almost all of our Flash memory devices were produced in Japan through Fujitsu AMD Semiconductor Limited (FASL), our joint venture with Fujitsu Limited.

EPROMs represent an older generation of erasable, programmable read-only memory technology which is used primarily in the electronic equipment industry. These devices are used in cellular telephones, wireless base stations, telecommunication

switching equipment, automotive applications, PC hard disk drives, printer controllers, industrial machine controls and numerous other types of electronic equipment to store firmware which controls the equipment's operation. EPROMs are generally preferred over more expensive Flash memory devices in applications where end users do not need to reprogram the information stored on the IC. We believe the market for EPROMs, which is significantly smaller than the market for Flash memory devices, will continue to decline as EPROMs are replaced in various applications by Flash memory devices.

Other ICs

Embedded Processors. Our embedded processors are x86 software compatible general purpose processors designed specifically for embedded applications. Our 16-bit family of E86 embedded processors are built around the C186/C188 processor with additional integrated features such as additional memory, serial ports, high-level data link control channels, or universal serial bus ports. Our 32-bit E86 family of embedded processors includes the AMD-K6-2E+, AMD-K6-IIIE+ and Am(R)486 discrete processors as well as the Elan(TM)SC400 and ElanSC520 fully integrated processors. Our Elan processors integrate the PC AT peripheral set on chip to serve small form factor applications.

Platform Products. Our platform products include chipsets and motherboard reference design kits designed to support AMD seventh-generation microprocessors for use in PCs. As the AMD Athlon and AMD Duron microprocessors do not function with chipsets and motherboards designed to work with Intel microprocessors, we must develop compatible platform products. We license the design interface specifications for these products to third-party manufacturers to facilitate the sale of our microprocessors. It is possible that from time to time a third-party manufacturer will be unable to make chipset products available to the market in a timely manner corresponding with the introduction of our microprocessor products. As the lack of availability of these third-party chipsets could impact our ability to sell our microprocessors, we manufacture a quantity of chipsets within our own fabrication facilities or our authorized foundries on a limited basis. We are then able to have a supply of products available for sale, should the need exist, until they are available from the third-party manufacturers.

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.

Voice Communications

Voice Communications Products (\$140 million, or 3 percent, of our 2000 net sales) included the voice telecommunications products of our former subsidiary, Legerity. These products are used in infrastructure equipment such as central office switches, digital loop carriers and digital subscriber loop access multiplexers (DSLAMS), and in customer premise equipment such as wireless local loop systems, cable telephony systems, private branch exchange equipment and voice over digital subscriber line (DSL) systems. In modern telephone communications systems, voice communications are generally transmitted between the speaker and the central office switch in analog format, but are switched and transmitted over longer distances in digital format. Legerity's subscriber line interface circuits (SLIC) for line cards connect the user's telephone wire to the telephone company's digital switching equipment. Legerity's SLAC(TM) line cards are coder/decoders which convert analog voice signals to a digital format and back. Legerity's DSL products include a coder/decoder device and a modem device for use in DSLAM applications. Legerity's cordless telephony products include a baseband controller for the 900 MHz narrow band digital cordless market. On August 4, 2000, we completed the sale of 90 percent of Legerity for approximately \$375 million in cash to Francisco Partners, L.P., effective July 31, 2000. We retained a ten percent ownership interest in Legerity and a warrant to acquire approximately an additional ten percent. As part of the transaction, we entered into various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

Foundry Services

Foundry Services (\$142 million, or 3 percent of our 2000 net sales) include fees for services provided to Lattice and Legerity.

Research and Development; Manufacturing Technology

Our expenses for research and development were \$642 million in 2000, \$636 million in 1999 and \$567 million in 1998. These expenses represented 14 percent of net sales in 2000, 22 percent of net sales in 1999 and 22 percent of net sales in 1998.

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Our research and development expenses are charged to operations as they are incurred. Most of our research and development personnel are integrated into the engineering staff.

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

Our efforts concerning process technologies are focused in two major areas: logic technology used by our microprocessors and embedded processors, and non-volatile memory technology used by Flash memory products. Our goals are to improve product performance, increase manufacturing volumes and reduce unit costs.

In order to remain competitive, we must continue to make substantial investments in the improvement of our process technologies. In particular, we have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these investments might not be fully recovered if we fail to continue to gain market acceptance or if the market for our Flash memory products should significantly deteriorate. In addition, if we are unable to remain competitive with respect to process technology we will be materially and adversely affected.

Competition

The IC industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency and competition increase, and as successive generations of products are developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on:

- . performance;
- . product quality and reliability;
- . price;
- . adherence to industry standards;
- . software and hardware compatibility;
- . marketing and distribution capability;
- . brand recognition;
- . financial strength; and
- . ability to deliver in large volumes on a timely basis.

In each market in which we participate, we face competition from different groups of 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 and Atmel Corporation. We also compete to a lesser degree with Fujitsu, our joint venture partner in FASL. With respect to the voice communications products of Legerity, our principal competitors through August 4, 2000, the date we completed the sale of Legerity, were Infineon Corporation, Lucent Technologies Inc., Intersil Corporation and LM Ericsson.

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Manufacturing Facilities

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

<TABLE>
<CAPTION>

Facility Location	Wafer Size (Diameter in Inches)	Production Technology (in Microns)	Approximate Clean Room (Square Footage)
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<S>	<C>	<C>	<C>
Austin, Texas			
Fab 25.....	8	0.18	120,000
Fab 14/15.....	6	0.5	42,000
Aizu-Wakamatsu, Japan			
FASL JV1 (1).....	8	0.35	70,000
FASL JV2 (1).....	8	0.25 & 0.35	91,000
Dresden, Germany			
Fab 30.....	8	0.18	115,100

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

In July 2000, FASL broke ground for a third fabrication facility, FASL JV3, for the manufacture of Flash memory devices in Aizu-Wakamatsu. As of December 31, 2000, the building was complete and the clean room was under construction. We also have foundry arrangements for the production of our products by third parties.

Our Submicron Development Center is a 42,000 square foot research and development facility located in Sunnyvale, California.

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

<TABLE>
<CAPTION>

Facility Location	Approximate Assembly & Test Square Footage	Activity
<S>	<C>	<C>
Penang, Malaysia.....	377,000	Assembly & Test
Bangkok, Thailand.....	78,000	Assembly & Test
Singapore.....	162,000	Test
Suzhou, China.....	30,250	Assembly & Test

</TABLE>

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

Certain Material Agreements. Set forth below are descriptions of certain material contractual relationships we have relating to FASL, Dresden Fab 30 and Motorola.

FASL. In 1993, we formed FASL, a joint venture with Fujitsu, for the development and manufacture of Flash memory devices. FASL operates advanced IC manufacturing facilities in Aizu-Wakamatsu, Japan (FASL JV1 and FASL JV2), for the production of Flash memory devices. FASL JV1 began volume production in the first quarter of 1995, and utilizes eight-inch wafer processing technologies capable of producing products with geometrics of .35-micron or smaller. FASL is continuing the facilitization of FASL JV2, which began volume production in 1999, and also utilizes eight-inch wafer processing technologies.

FASL JV3, described above under "Manufacturing Facilities," is expected to cost approximately \$1.5 billion when fully equipped. Capital expenditures for FASL JV2 and FASL JV3 construction to date have been 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 and FASL JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of December 31, 2000, we had \$38 million in loan guarantees outstanding with respect to these loans. These planned costs are denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of 2000, the exchange rate was approximately 112.52 yen to one U.S. dollar.

In connection with FASL, AMD and Fujitsu have entered into various joint development, cross-license and investment arrangements. Pursuant to these agreements, the companies are providing their product designs and process and manufacturing technologies to FASL. In addition, both companies are collaborating in developing manufacturing processes and designing Flash memory devices for FASL. The right of each company to use the licensed intellectual property of the other with respect to certain products is limited both in scope and geographic areas. For instance, AMD and Fujitsu have cross-licensed their respective intellectual property to produce stand-alone Flash memory devices with geometrics of 0.5-micron or smaller within the joint venture. Furthermore, our ability to sell Flash memory products incorporating Fujitsu intellectual property, whether or not produced by FASL, is also limited in certain territories, including Japan and Asia (excluding Taiwan). Fujitsu is likewise

limited in its ability to sell Flash memory devices incorporating our intellectual property, whether or not produced by FASL, in certain territories including the United States and Taiwan.

Dresden Fab 30. AMD Saxony Manufacturing GmbH (AMD Saxony), an indirect wholly owned German subsidiary of AMD, operates Dresden Fab 30 which began production in the second quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 will be approximately \$2.3 billion when the facility is fully equipped by the end of 2003. In

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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. Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth below are subject to change based on applicable conversion rates. We used the exchange rate at the end of 2000, which was approximately 2.20 deutsche marks to one U.S. dollar, to value the amounts denominated in deutsche marks. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

- . equity, subordinated loans and loan guarantees from 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 Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested \$410 million as of December 31, 2000 in the form of subordinated loans to and equity in AMD Saxony. In addition to support from AMD, the consortium of banks referred to above has made available \$750 million in loans to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had \$375 million of such loans outstanding as of December 31, 2000.

Finally, the Federal Republic of Germany and the State of Saxony are supporting the Dresden Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- . guarantees of 65 percent of AMD Saxony bank debt up to a maximum of \$750 million in bank debt;
- . capital investment grants and allowances totaling \$287 million; and
- . interest subsidies totaling \$141 million.

Of these amounts, AMD Saxony had received approximately \$284 million in capital investment grants and allowances and \$38 million in interest subsidies as of December 31, 2000. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. 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. As of December 31, 2000, we were in compliance with all of the conditions of the grants and subsidies.

In February 2001, we amended the Dresden Loan Agreements to reflect new capacity and increased capital expenditure plans for Dresden Fab 30. Under the February 2001 amendments, we agreed to increase and extend our guaranty of AMD Saxony's obligations and to make available to AMD Saxony revolving loans of up to \$500 million. We expanded our obligation to reimburse AMD Saxony for the cost of producing wafers for us and we also agreed to cancel the cost overrun facility made available by the banks. Under the February 2001 amendments, we have been released from financial covenants limiting capital expenditures and requiring AMD Saxony to achieve capacity and production cost targets by the end of 2001.

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

- . provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the state of Saxony;
- . fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and
- . guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than \$99 million or more than \$273 million, until the bank loans are repaid in full.

We entered into foreign currency hedging transactions for Dresden Fab 30 in 1998, 1999 and 2000 and anticipate entering into additional such foreign currency hedging transactions in 2001 and in future years. 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, liabilities for products purchased from FASL 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 acquisition. Our accounting policy for these instruments is based on our designation of such instruments as hedging transactions. We generally do not use derivative financial instruments for speculative or trading purposes.

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Motorola. In 1998, we entered into an alliance with Motorola for the development of logic and Flash memory process technology. The alliance includes a seven-year technology development and license agreement, which was amended on January 21, 2000 to include certain additional technology, and a patent cross-license agreement. The agreements provide that we will co-develop with Motorola future generation logic process and embedded Flash technologies. In addition, we have received certain licenses to Motorola's semiconductor logic process technologies, including copper interconnect technology, which may be subject to variable royalty rates. In exchange, we have developed and licensed to Motorola a Flash module design to be used in Motorola's future embedded Flash products. Motorola will have additional rights, subject to certain conditions, to make stand-alone Flash devices, and to make and sell certain data networking devices. The rights to data networking devices may be subject to variable royalty payment provisions.

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, including those products for which we are an alternate source. One of our OEMs, Compaq Computer Corporation, accounted for approximately 11 percent of our 2000 net sales. No other single distributor or OEM customer accounted for ten percent or more of our net sales in 2000.

Distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as 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 if the agreement with the distributor is terminated. The market for our products is generally characterized by, among other things, severe price competition. 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.

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 a few foreign companies principally supply several types of the IC packages purchased by us. Interruption of supply, increased demand in the industry or currency fluctuations could cause shortages in various essential materials. We would have to reduce our manufacturing operations if we were unable to procure certain of these materials. This reduction in our manufacturing operations 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

We could possibly be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in our manufacturing processes. Such regulations could require us to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure to control the use, 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.

Intellectual Property and Licensing

We have been granted over 3,700 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.

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In January 1995, we reached an agreement with Intel to settle all previously outstanding legal disputes between the two companies. As part of the settlement, in December 1995, we signed a five-year, comprehensive cross-license agreement with Intel which expired on December 31, 2000. We are currently negotiating a new agreement with Intel but there can be no assurance that a new agreement will be successfully negotiated. The lack of a patent cross-license with Intel could lead to expensive and time-consuming litigation, the outcomes of which could have a material adverse effect on our business.

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 through patents, copyrights, trade secrets and other measures, we cannot give any assurance that we will be able to protect our technology or other intellectual property adequately or that competitors will not be able to develop similar technology independently. We cannot give any assurance that any patent applications that we may file will be issued or that foreign intellectual property laws will protect our intellectual property rights. We cannot give any assurance that any patent licensed by or issued to us will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to us. Furthermore, we cannot give any assurance that others will not independently develop similar products, duplicate our products or design around our patents and other rights.

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We could decide, in the alternative, to resort to litigation to challenge these claims. These challenges could be extremely expensive and time-consuming and could materially and adversely affect our business. We cannot give any assurance that all necessary licenses can be obtained on satisfactory terms, or that litigation may always be avoided or favorably 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 are frequently subject to revision and cancellation 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 January 31, 2001, we employed approximately 14,696 employees, none of whom are represented by collective bargaining arrangements. We believe that our relationship with our employees is generally good.

Executive Officers of the Registrant

W. J. Sanders III--Mr. Sanders, 64, is Chairman of the Board and Chief Executive Officer of Advanced Micro Devices, Inc. Mr. Sanders co-founded AMD in 1969.

Hector de J. Ruiz--Dr. Ruiz, 55, is President and Chief Operating Officer of Advanced Micro Devices, Inc. Dr. Ruiz joined AMD in January 2000. Before joining AMD, Dr. Ruiz was President of Motorola Inc.'s Semiconductor Products Sector. Dr. Ruiz held various executive positions with Motorola since 1977.

Benjamin M. Anixter--Mr. Anixter, 63, is Vice President, External Affairs of Advanced Micro Devices, Inc., and has been since 1987. Mr. Anixter became a corporate officer in April of 1999. He has been with AMD since 1971.

Robert R. Herb--Mr. Herb, 39, is Executive Vice President, Chief Sales and Marketing Officer of Advanced Micro Devices, Inc. Mr. Herb joined AMD in 1983. In 1998, Mr. Herb became an officer of AMD and was promoted to Senior Vice President and Co-Chief Marketing Officer. From 1996 until 1998, Mr. Herb served as the Vice President of Group Strategic Marketing for the Computation Products Group. Before that, he was a director of marketing for the Personal Computer Products Division.

Walid Maghribi--Mr. Maghribi, 48, is Senior Vice President and President of the Memory Group of Advanced Micro Devices, Inc. Mr. Maghribi joined AMD in 1986 and was Group Vice President, Memory Group before being promoted to Senior Vice President and President of the Memory Group in 2001. Before joining AMD, Mr. Maghribi was Director of Operations of Seeq Technology, after joining the company in 1982.

Thomas M. McCoy--Mr. McCoy, 50, is Senior Vice President, General Counsel and Secretary of Advanced Micro Devices, Inc. Before his appointment as Senior Vice President, Mr. McCoy held the office of Vice President, General Counsel and Secretary from 1995 to 1998. Before his appointment as Vice President, General Counsel and Secretary, Mr. McCoy was with the law firm of O'Melveny and Myers where he practiced law, first as an associate and then as a partner, from 1977 to 1995.

Robert J. Rivet--Mr. Rivet, 46, is Senior Vice President and Chief Financial Officer of Advanced Micro Devices, Inc. Mr. Rivet joined AMD in September 2000. Before joining AMD, he was Senior Vice President and Director of Finance of the Semiconductor Products Sector of Motorola. Mr. Rivet served in a number of positions in Motorola Semiconductor operations since 1981, after joining the company in 1976 as a senior financial analyst and senior accountant.

William T. Siegle--Dr. Siegle, 62, is Senior Vice President, Technology and Manufacturing Operations, Chief Scientist of Advanced Micro Devices, Inc. Dr. Siegle was Group Vice President, Technology Development Group and Chief Scientist from 1997 until 1998. Before his appointment as Group Vice President, Dr. Siegle served as Vice President, Integrated Technology Department and Chief Scientist since 1990.

Stan Winvick--Mr. Winvick, 61, is Senior Vice President, Human Resources of Advanced Micro Devices, Inc. Before his appointment as Senior Vice President in 1991, Mr. Winvick served as Vice President, Human Resources since 1980.

Stephen J. Zelencik--Mr. Zelencik, 66, is Senior Vice President, Market Development of Advanced Micro Devices, Inc. Before his appointment as Senior Vice President, Market Development in 1999, Mr. Zelencik served as Senior Vice President and Co-Chief Marketing Officer. From 1979 until 1998, Mr. Zelencik was Senior Vice President and Chief Marketing Executive.

ITEM 2. PROPERTIES

Our principal engineering, manufacturing, warehouse and administrative facilities comprise approximately 5.1 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 lease 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). The lease term ends in December 2018. In 2000, we renewed a lease agreement for approximately 175,000 square feet located adjacent to One AMD Place (known as AMD Square) to be used by the product groups as engineering offices and laboratory facilities.

We also own or lease facilities containing approximately 1.2 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 Dresden Fab 30. Dresden Fab 30 is encumbered by a lien securing borrowings of AMD Saxony. Fab 25, our fabrication facility in Austin, Texas, is encumbered by a lien securing our 11% Senior Secured Notes due 2003.

We lease 24 sales offices in North America, 11 sales offices in Asia Pacific, 10 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 significant 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.

ITEM 3. LEGAL PROCEEDINGS

1. Environmental Matters. Since 1981, we have discovered, investigated and begun remediation of three sites where releases from underground chemical 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, San Francisco Bay Region 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.

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 (1) can bring an action to enforce compliance or (2) can undertake the desired response actions itself and later bring an action to recover its costs, and penalties, which is up to three times the costs of clean-up activities, if appropriate. The statute of limitations has been tolled on the claims of landowners adjacent to the Santa Clara County Superfund sites for causes of action such as negligence, nuisance and trespass.

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

We received a notice dated October 14, 1998 from the Environmental Protection Agency (EPA) indicating that the EPA has determined AMD to be a potentially responsible party that arranged for disposal of hazardous substances at a site located in Santa Barbara County, California. We are currently in settlement discussions with the EPA and believe that any settlement will not have a material adverse effect on our financial condition or results of operations.

2. Securities Class Action Litigation. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc. et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. On September 5, 2000, the parties stipulated to, and the United States District Court for the Northern District of California entered, an order whereby all plaintiffs' claims and causes of action against all defendants were voluntarily dismissed without prejudice.

3. Other Matters. We are 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 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. The information regarding market price range, dividend information and number of holders of our common stock appearing under the captions "Supplementary Financial Data" and "Financial Summary" on pages 46 and 47 of our 2000 Annual Report to Stockholders is incorporated herein by reference.

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During 2000, we did not make any sales of our equity securities which were not registered under the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

The information regarding selected financial data for the fiscal years 1996 through 2000, under the caption "Financial Summary" on page 47 of our 2000 Annual Report to Stockholders is incorporated herein by reference.

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

The information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 8 through 22 of our 2000 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information appearing under the caption "Quantitative and Qualitative Disclosure about Market Risk" on pages 14 through 15 of our 2000 Annual Report to Stockholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements at December 31, 2000 and December 26, 1999 and for each of the three years in the period ended December 31, 2000, and the report of independent auditors thereon, and our unaudited quarterly financial data for the two-year period ended December 31, 2000, appearing on pages 23 through 45 of our 2000 Annual Report to Stockholders are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information under the captions "Item 1--Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for our Annual Meeting of Stockholders to be held on April 26, 2001 (2001 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 2001 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the caption "Principal Stockholders and Security Ownership of Directors and Executive Officers" in our 2001 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the caption "Certain Relationships and Related Party Transactions" in our 2001 Proxy Statement is incorporated herein by reference.

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With the exception of the information specifically incorporated by reference in Part III of this Annual Report on Form 10-K from our 2001 Proxy Statement, our 2001 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 2001 Proxy Statement is not incorporated by reference in this Annual Report on Form 10-K.

PART IV

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

(a)

1. Financial Statements

The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule covered by the Report of Independent Auditors are filed or incorporated by reference as part of this Annual Report on Form 10-K. The following is a list of such financial statements:

<TABLE>
<CAPTION>

	Page References	
	Form 10-K	2000 Annual Report to Stockholders
<S>	<C>	<C>
Report of Ernst & Young LLP, Independent Auditors.....	--	45
Consolidated Statements of Operations for each of the three years in the period ended December 31, 2000.....	--	23
Consolidated Balance Sheets at December 31, 2000 and December 26, 1999.....	--	24
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2000.....	--	25
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2000.....	--	26
Notes to Consolidated Financial Statements.....	--	27-44

2. Financial Statement Schedule

The financial statement schedule listed below is filed as part of this Annual Report on Form 10-K.

<TABLE>
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	Page References	
	Form 10-K	2000 Annual Report to Stockholders
<S>	<C>	<C>
Schedule for the three years in the period ended December 31, 2000: Schedule II Valuation and Qualifying Accounts.....	F-3	—

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. With the exception of the information specifically incorporated by reference into Parts II and IV of this Annual Report on Form 10-K, the 2000 Annual Report to Stockholders is not to be deemed filed as part of this report.

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3. Exhibits

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

Exhibit Number -----	Description of Exhibits -----
2.1	Agreement and Plan of Merger dated October 20, 1995, 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 Annual Report on Form 10-K for the fiscal year ended December 26, 1999, 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.
- 4.1 Form of AMD 11% Senior Secured Notes due August 1, 2003, filed as Exhibit 4.1 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- 4.2(a) Indenture, dated as of August 1, 1996, between AMD and United States Trust Company of New York, as trustee, filed as Exhibit 4.2 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- 4.2(b) First Supplemental Indenture, dated as of January 13, 1999, between AMD and United States Trust Company of New York, as trustee, filed as Exhibit 4.2(b) to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1998, is hereby incorporated by reference.
- 4.2(c) Second Supplemental Indenture, dated as of April 8, 1999, between AMD and United States Trust Company of New York, as trustee, filed as Exhibit 4.2(c) to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.

Exhibit Number -----	Description of Exhibits -----
4.2(d)	Third Supplemental Indenture, dated as of July 28, 2000, between AMD and the United States Trust Company, as trustee, filed as Exhibit 4.2(d) to AMD's Quarterly Report on Form 10-Q for the period ended October 1, 2000, is hereby incorporated by reference.
4.3	Intercreditor and Collateral Agent Agreement, dated as of August 1, 1996, among United States Trust Company of New York, as trustee, Bank of America NT&SA, as agent for the banks under the Credit Agreement of July 19, 1996, and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.3 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
4.4	Payment, Reimbursement and Indemnity Agreement, dated as of August 1, 1996, between AMD and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.4 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
4.5	Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of August 1, 1996, among AMD, as grantor, IBJ Schroder Bank & Trust Company, as grantee, and Shelley W. Austin, as trustee, filed as Exhibit 4.5 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
4.6	Security Agreement, dated as of August 1, 1996, among AMD and IBJ Schroder Bank & Trust Company, as agent for United States Trust Company of New York, as trustee, and Bank of America NT&SA, as agent for banks, filed as Exhibit 4.6 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
4.7	Lease, Option to Purchase and Put Option Agreement, dated as of August 1, 1996, between AMD, as lessor, and AMD Texas Properties, LLC, as lessee, filed as Exhibit 4.7 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
4.8	Reciprocal Easement Agreement, dated as of August 1, 1996, between AMD and AMD Texas Properties, LLC, filed as Exhibit 4.8 to AMD's

Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.

- 4.9 Sublease Agreement, dated as of August 1, 1996, between AMD, as sublessee, and AMD Texas Properties, LLC, as sublessor, filed as Exhibit 4.9 to AMD's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- 4.10 Indenture, dated as of May 8, 1998, by and between AMD and The Bank of New York, as trustee, filed as Exhibit 4.1 to AMD's Current Report on Form 8-K dated May 8, 1998, is hereby incorporated by reference.
- 4.11 Officers' Certificate, dated as of May 8, 1998, filed as Exhibit 4.2 to AMD's Current Report on Form 8-K dated May 8, 1998, is hereby incorporated by reference.
- 4.12 Form of 6% Convertible Subordinated Note due 2005, filed as Exhibit 4.3 to AMD's Current Report on Form 8-K dated May 8, 1998, is hereby incorporated by reference.
- 4.13 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 ten percent of the total assets of AMD and its subsidiaries on a consolidated basis.
- *10.1 AMD 1982 Stock Option Plan, as amended, filed as Exhibit 10.1 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
- *10.2 AMD 1986 Stock Option Plan, as amended, filed as Exhibit 10.2 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.

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Exhibit Number -----	Description of Exhibits -----
*10.3	AMD 1992 Stock Incentive Plan, as amended.
*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.
*10.12	Amended and Restated Employment Agreement, dated as of November 3, 2000, between AMD and W. J. Sanders III.
*10.13	AMD 2000 Stock Incentive Plan.
*10.14	AMD's U.S. Stock Option Program for options granted after April 25, 2000.
*10.15	Vice President Incentive Program.
*10.16	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.

- *10.17 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.
- *10.18 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.
- *10.19 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 Intellectual Property Agreements with Intel Corporation, filed as Exhibit 10.21 to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, are hereby incorporated by reference.
- *10.21 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.
- *10.22 Form of Management Continuity Agreement, filed as Exhibit 10.25 to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, is hereby incorporated by reference.

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Exhibit Number -----	Description of Exhibits -----
**10.23(a)	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.
**10.23(b)	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.
**10.23(c)	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.
**10.23(d)	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.
**10.23(e)	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.
10.23(f)	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.
**10.23(g)	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.
**10.23(h)	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.
**10.23(i)	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.
*10.24	AMD's Stock Option Program for Employees Outside the U.S. for options granted after April 25, 2000.
**10.25	Technology Development and License Agreement, dated as of October 1, 1998, among AMD and its subsidiaries and Motorola, Inc. and its subsidiaries, filed as Exhibit 10.25 to AMD's Annual Report on Form 10-K for the fiscal year ended December 27, 1998, is

hereby incorporated by reference.

- **10.25(a) Amendment to the Technology Development and License Agreement, entered into as of October 1, 1998, by AMD and its subsidiaries and Motorola, Inc. and its subsidiaries, filed as Exhibit 10.25(a) to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.
- **10.25(b) Amendment 2 to the Technology Development and License Agreement, entered into as of October 1, 1998, by AMD and its subsidiaries and Motorola, Inc. and its subsidiaries, filed as Exhibit 10.25(b) to AMD's Quarterly Report on Form 10-Q for the period ended July 2, 2000, is hereby incorporated by reference.
- **10.26 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.
- 10.27 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.

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Exhibit Number	Description of Exhibits
*10.28(a)	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.
*10.28(b)	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.
*10.28(c)	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.
*10.29	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.
*10.30	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.
*10.31	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.
*10.32	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.
**10.33	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.
*10.34	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.
*10.36	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.
**10.37	Patent Cross-License Agreement dated December 20, 1995, between AMD and Intel Corporation, filed as Exhibit 10.38 to AMD's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
10.38	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.

- *10.39 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.
- *10.40 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.
- *10.41 Form of indemnity agreement between NexGen, Inc. and its directors and officers, filed as Exhibit 10.5 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.

Exhibit Number -----	Description of Exhibits -----
**10.45	Agreement for Purchase of IBM Products between IBM and NexGen, Inc. dated June 2, 1994, filed as Exhibit 10.17 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference .
**10.48(a)	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.
**10.48(b)	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.
**10.49(a)	Design and Build Agreement dated November 15, 1996, between AMD Saxony Manufacturing GmbH and Meissner and Wurst GmbH, filed as Exhibit 10.49(a) to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.49(b)	Amendment to Design and Build Agreement dated January 16, 1997, between AMD Saxony Manufacturing GmbH and Meissner and Wurst GmbH filed as Exhibit 10.49(b) to AMD's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
**10.50(a-1)	Syndicated Loan Agreement with Schedules 1, 2 and 17, dated as of March 11, 1997, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., filed as Exhibit 10.50(a) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(a-2)	Supplemental Agreement to the Syndicated Loan Agreement dated February 6, 1998, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., 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.
10.50(a-3)	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.
***10.50(a-4)	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.
**10.50(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.
**10.50(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.

- **10.50(d) Subsidy Agreement, dated February 12, 1997, between Sachsische Aufbaubank and Dresdner Bank AG, with Appendices 1, 2a, 2b, 3 and 4, filed as Exhibit 10.50(d) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
- 10.50(e) AMD, Inc. Guaranty, dated as of March 11, 1997, among 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.
- 10.50(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.

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Exhibit Number -----	Description of Exhibits -----
10.50(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.
10.50(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.
***10.50(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.
10.50(g-1)	Sponsors' Loan Agreement, dated as of March 11, 1997, among AMD, AMD Saxony Holding GmbH and 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.
10.50(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.
10.50(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.
10.50(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.
10.50(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.
**10.50(j)	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.
***10.50(j-1)	First Amendment to AMD Holding Wafer Purchase Agreement, dated as of February 20, 2001, between AMD and AMD Saxony Holding GmbH.
**10.50(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.
**10.50(l-1)	AMD Saxonia Wafer Purchase Agreement, dated as of March 11,

1997, between AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(1) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.

- 10.50(1-2) 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 (1-2) to AMD's Annual Report on Form 10-K for the fiscal year ended December 28, 1997, is hereby incorporated by reference.
- ***10.50(1-3) Second Amendment to AMD Saxonia Wafer Purchase Agreement, dated as of February 20, 2001, between AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH.
- **10.50(m) AMD Saxonia Research, Design and Development Agreement, dated as of March 11, 1997, between AMD Saxony Manufacturing GmbH and AMD Saxony Holding GmbH, filed as Exhibit 10.50(m) to AMD's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
- 10.50(n) License Agreement, dated March 11, 1997, among 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.

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Exhibit Number -----	Description of Exhibits -----
10.50(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.
**10.50(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.
**10.50(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.
10.51	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.
10.51(a)	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.
10.51(a-1)	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.
*10.52	Agreement, dated as of June 16, 1999, between AMD and Richard Previte, filed as Exhibit 10.52 to AMD's Quarterly Report on Form 10-Q for the period ended June 27, 1999, is hereby incorporated by reference.
*10.54	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.
*10.55	Employment Agreement, dated as of January 13, 2000, between AMD and Hector de J. Ruiz, filed as Exhibit 10.55 to AMD's Annual Report on Form 10-K for the fiscal year ended December 26, 1999, is hereby incorporated by reference.
*10.56	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.

- *10.57 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 October 1, 2000, is hereby incorporated by reference.
- 13 Pages 8 through 47 of AMD's 2000 Annual Report to Stockholders, which have been incorporated by reference into Parts II and IV of this annual report.
- 21 List of AMD subsidiaries.
- 23 Consent of Ernst & Young LLP, Independent Auditors, refer to page F-2 herein.
- 24 Power of Attorney.

* 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 with respect to certain portions of this Exhibit.

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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 11, 2000 reporting under Item 5 - Other Events was filed announcing AMD's third quarter earnings.
2. A Current Report on Form 8-K dated December 11, 2000 reporting under Item 5 - Other Events was filed with respect to expected financial results for the fourth quarter ended December 31, 2000.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Advanced Micro Devices, Inc.

March 19, 2001

By: /s/ Robert J. Rivet

 Robert J. Rivet
 Senior Vice President,
 Chief Financial Officer

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

<TABLE> <CAPTION>	Signature -----	Title -----	Date ----
<S>	* ----- W. J. Sanders III	<C> Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	<C> March 19, 2001
-	* ----- Robert J. Rivet	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	March 19, 2001
-	* ----- Hector de J. Ruiz	Director, President and Chief Operating Officer	March 19, 2001
-	* ----- Friedrich Baur	Director	March 19, 2001
-	* -----	Director	March 19, 2001

-----	Charles M. Blalack		
	*	Director	March 19, 2001
-----	R. Gene Brown		
	*	Director	March 19, 2001
-----	Robert B. Palmer		
	*	Director	March 19, 2001
-----	Joe L. Roby		
	*	Director	March 19, 2001
-----	Leonard Silverman		

*By: /s/ Robert J. Rivet

(Robert J. Rivet,
Attorney-in-Fact)

</TABLE>

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE
COVERED BY THE REPORT OF INDEPENDENT AUDITORS

ITEM 14(a) (1) and (2)

The information under the following captions, which is included in AMD's 2000 Annual Report to Stockholders, a copy of which is attached hereto as Exhibit 13, is incorporated herein by reference:

<TABLE>
<CAPTION>

References	Page
---	-----
Annual Report to Stockholders	2000 Form 10-K
-----	----
<S> Report of Ernst & Young LLP, Independent Auditors.....	<C> <C>
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Consolidated Statements of Operations for each of the three years in the period ended December 31, 2000.....	--
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Consolidated Balance Sheets at December 31, 2000 and December 26, 1999.....	--
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Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2000.....	--
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All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements or Notes thereto. With the exception of the information specifically incorporated by reference into Parts II and IV of this Annual Report on Form 10-K, our 2000 Annual Report to Stockholders is not to be deemed

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Advanced Micro Devices, Inc. of our report dated January 9, 2001 with respect to the consolidated financial statements of Advanced Micro Devices, Inc. included in the 2000 Annual Report to Stockholders of Advanced Micro Devices, Inc.

Our audits also included the financial statement schedule of Advanced Micro Devices, Inc. listed in Item 14(a). This schedule is the responsibility of the management of Advanced Micro Devices, Inc. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following Registration Statements of our report dated January 9, 2001 with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Advanced Micro Devices, Inc.

- . Registration Statement on Form S-8 (No. 33-16095) pertaining to the Advanced Micro Devices, Inc. 1987 Restricted Stock Award Plan;
- . Registration Statements on Forms S-8 (Nos. 33-39747, 333-33855 and 333-77495) pertaining to the Advanced Micro Devices, Inc. 1991 Employee Stock Purchase Plan;
- . 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. 333-68005) pertaining to the Advanced Micro Devices, Inc. 1998 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.;
- . 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 to the Registration Statement on Form S-8 (No. 33-92688-99) pertaining to the 1995 Employee Stock Purchase Plan of NexGen, Inc.;
- . 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; and
- . Post-Effective Amendment No. 2 on Form S-3 to the Registration Statement on Form S-4 (No. 33-64911) pertaining to common stock issuable to certain warrant holders.

/s/ Ernst & Young LLP

SCHEDULE II

ADVANCED MICRO DEVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 27, 1998,
December 26, 1999 and December 31, 2000
(in thousands)

<TABLE>
<CAPTION>

Balance of Period	Balance	Additions Charged (Reductions Credited)	Deductions (1)	End
	Beginning of Period	To Operations		
---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts: Years ended:				
December 27, 1998.....	\$11,221	\$1,498	\$ (56)	
\$12,663 December 26, 1999.....	12,663	3,543	(828)	
15,378 December 31, 2000.....	15,378	8,154	(820)	
22,712				

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

ADVANCED MICRO DEVICES, INC.
1992 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this Plan is to encourage key personnel, whose long-term employment is considered essential to the Company's continued progress, to remain in the employ of the Company or its subsidiaries. By means of the Plan, the Company also seeks to attract new key employees whose future services are necessary for the continued improvement of operations. The Company intends future increases in the value of securities granted under this Plan to form part of the compensation for services to be rendered by such employees in the future.

2. Definitions

The terms defined in this Section 2 shall have the respective meanings set forth herein, unless the context otherwise requires.

(a) Affiliate: The term "Affiliate" shall mean any corporation, partnership, joint venture or other entity in which the Company holds an equity, profits or voting interest of thirty percent (30%) or more.

(b) Award Price: The term "Award Price" shall mean a price designated by the Board or its delegate and which is not less than the Fair Market Value per Share on the date the Stock Appreciation Right is granted. In the case of a General Right which is exercisable only in lieu of exercising a Related Option, unless otherwise specified in the Right Agreement, the Award Price shall be the exercise price of such Related Option.

(c) Board or its delegate: The term "Board or its delegate" shall mean the Company's Board of Directors or its delegate as set forth in Sections 3(d) and 3(e) hereinbelow.

(d) "Change of Control" Unless otherwise defined in a Participant's employment agreement, the term "Change of Control" shall be deemed to mean any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or any of its Affiliates) representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company's then outstanding voting securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (i) or (ii) of this sentence) whose appointment, election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (iii) there is consummated a merger or consolidation of the Company or subsidiary thereof with or into any

other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 50% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or there is consummated the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 80% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale. Notwithstanding the foregoing (i) unless otherwise provided in a Participant's employment agreement, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately prior to such

transaction or series of transactions and (ii) unless otherwise provided in a Participant's employment agreement, "Change of Control" shall exclude the acquisition of securities representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company's then outstanding voting securities by the Company or 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.

(d) Code: The term "Code" shall mean the Internal Revenue Code of 1986,

as amended to date and as it may be amended from time to time.

(e) Company: The term "Company" shall mean Advanced Micro Devices, Inc.,

a Delaware corporation.

(f) Constructive Termination: The term "Constructive Termination" shall

mean a resignation by a Participant who has been elected by the Company's Board of Directors as a corporate officer of the Company, due to diminution or adverse change in the circumstances of such Participant's employment with the Company, as determined in good faith by the Participant, including, without limitation, reporting relationships, job description, duties, responsibilities, compensation, prerequisites, office or location of employment. Constructive Termination shall be communicated by written notice to the Company, and such termination shall be deemed to occur on the date such notice is delivered to the Company.

(g) Disinterested Director: The term "Disinterested Director" shall mean

a Non-Employee Director, as defined by Rule 16b-3 under the Securities Exchange Act of 1934.

(h) Event Price per Share: The term "Event Price per Share" as used in

Section 12 with respect to the exercise of a Limited Right shall mean the highest price per Share paid in connection with the event constituting a Change of Control. Any securities or property which are part or all of the consideration paid for Shares in connection with the event constituting a Change of Control shall be valued in determining the Event Price per Share at the highest of (A) the valuation placed on such securities or property by the corporation, person or other entity which paid such price or (B)

the valuation placed on such securities or property by the Board of Directors.

(i) Fair Market Value per Share: The term "Fair Market Value per Share"

shall mean as of any day (i) the closing price for Shares on the New York Stock Exchange as reported on the composite tape on the day as of which such determination is being made or, if there was no sale of Shares reported on the composite tape on such day, on the most recently preceding day on which there was such a sale, or (ii) if the Shares are not listed or admitted to trading on the New York Stock Exchange on the day as of which the determination is made, the amount determined by the Board or its delegate to be the fair market value of a Share on such day.

(j) ISO: The term "ISO" shall mean a stock option described in Section

422(b) of the Code.

(k) NSO: The term "NSO" shall mean a nonstatutory stock option not

described in Sections 422(b) or 423(a) of the Code.

(l) Option: The term "Option" shall mean (except as herein otherwise

provided) a stock option granted under this Plan.

(m) Outside Director: The term "Outside Director" shall mean a member of

the Board of Directors of the Company who is not also an employee of the Company or an Affiliate.

(n) Participant: The term "Participant" shall mean any person who holds

an Option or a Stock Appreciation Right granted under this Plan.

(o) Plan: The term "Plan" shall mean this Advanced Micro Devices, Inc.

1992 Stock Incentive Plan, as amended from time to time.

(p) Shares: The term "Shares" shall mean shares of Common Stock of the

Company and any shares of stock or other securities received as a result of the adjustments provided for in Section 14 of this Plan.

(q) Stock Appreciation Right: The term "Stock Appreciation Right" shall

mean a right granted under this Plan to receive, without payment to the Company, cash and/or Shares equivalent in value to the Spread as defined in Sections 11 and 12 of this Plan.

(r) Related Option: The term "Related Option" shall mean an Option with

respect to which a Right has been granted which is exercisable only to the extent that such Option has not previously been exercised.

(s) Rights: The term "General Right" shall mean a Stock Appreciation

Right granted pursuant to the provisions of Section 11 of this Plan. The term "Limited Right" shall mean a Stock Appreciation Right granted pursuant to the provisions of Section 12 of this Plan. The term "Right" shall mean any General Right or Limited Right.

(t) Window Period: The term "Window Period" shall mean the period

beginning on the third business day following the date of release for publication of the quarterly and annual summary statements of sales and earnings of the Company and ending on the twelfth business day

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following such date.

3. Administration

(a) The Board of Directors (the "Board"), whose authority shall be plenary, shall administer the Plan and may delegate part or all of its administrative powers with respect to part or all of the Plan pursuant to Section 3(d); provided, however, that the Board of Directors shall delegate administration of the Plan to the extent required by Section 3(e).

(b) Except for automatic grants of Options to Outside Directors pursuant to Section 8 hereof, the Board or its delegate shall have the power, subject to and within the limits of the express provisions of the Plan:

(1) To grant Options and Rights pursuant to the Plan.

(2) To determine from time to time which of the eligible persons shall be granted Options or Rights under the Plan, the number of Shares for which each Option or Right shall be granted, the term of each granted Option or Right and the time or times during the term of each Option or Right within which all or portions of each Option or Right may be exercised (which at the discretion of the Board or its delegate may be accelerated).

(3) To grant Options and/or Rights in exchange for cancellation of Options and/or Rights granted earlier at different exercise prices, provided, however, nothing contained herein shall empower the Board or its delegate to grant an ISO under conditions or pursuant to terms that are inconsistent with the requirements of Section 422 of the Code.

(4) To prescribe the terms and provisions of each Option and/or Right granted (which need not be identical) and the form of written instrument that shall constitute the Option and/or Right agreement.

(5) To take appropriate action to amend any Option and/or Right hereunder, including to amend the vesting schedule of any outstanding Option or Right, or to cause any Option granted hereunder to cease to be an ISO, provided that no such action adverse to a Participant's interest may be taken by the Board or its delegate without the written consent of the affected Participant.

(c) The Board or its delegate shall also have the power, subject to and within the limits of the express provisions of this Plan:

(1) To construe and interpret the Plan and Options and Rights granted under the Plan, and to establish, amend and revoke rules and regulations for administration of the Plan. The Board or its delegate, in the exercise of this power, shall generally determine all questions of policy and expediency that may arise and may correct any defect, omission or inconsistency in the Plan or in any Option or Right agreement in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(2) Generally, to exercise such powers and to perform such acts as are deemed

necessary or expedient to promote the best interests of the Company.

(d) The Board of Directors may, by resolution, delegate administration of the Plan (including, without limitation, the Board's powers under Sections 3(b) and (c) above), under either or both of the following:

(1) with respect to the participation of or granting of Options or Rights to an employee who is not subject to Section 16 of the Exchange Act, to a committee of one or more members of the Board of Directors, whether or not such members of the Board of Directors are Disinterested Directors;

(2) with respect to matters other than the selection for participation in the Plan, substantive decisions concerning the timing, pricing, amount or other material term of an Option or Right, to a committee of one or more members of the Board of Directors, whether or not such members of the Board of Directors are Disinterested Directors, or to one or more officers of the Company.

(e) Unless each member of the Board is a Disinterested Director, the Board shall, by resolution, delegate administration of the Plan with respect to the participation in the Plan of employees who are subject to Section 16 of the Exchange Act, including its powers to select such employees for participation in the Plan, to make substantive decisions concerning the timing, pricing, amount or any other material term of an Option or Right, to a committee of two or more Disinterested Directors. Any committee to which administration of the Plan is so delegated pursuant to this Section 3(e) may also administer the Plan with respect to an employee described in Section 3(d)(1) above.

(f) Except as required by Section 3(e) above, the Board shall have complete discretion to determine the composition, structure, form, term and operations of any committee established to administer the Plan. If administration is delegated to a committee, unless the Board otherwise provides, the committee shall have, with respect to the administration of the Plan, all of the powers and discretion theretofore possessed by the Board and delegable to such committee, subject to any constraints which may be adopted by the Board from time to time and which are not inconsistent with the provisions of the Plan. The Board at any time may revert in the Board any of its administrative powers under the Plan, except under circumstances where a committee is required to administer the Plan under Section 3(e) above.

(g) The determinations of the Board or its delegate shall be conclusive and binding on all persons having any interest in this Plan or in any awards granted hereunder.

4. Shares Subject to Plan

Subject to the provisions of Section 14 (relating to adjustments upon changes in stock), the Shares which may be sold pursuant to Options granted under the Plan plus the Shares with respect to which Rights may be exercised under the Plan shall not exceed in the aggregate eighteen million seven hundred thousand (18,700,000) Shares of the Company's authorized Common Stock and may be unissued shares or reacquired shares or shares bought on the market for the purposes of issuance under the Plan. If any Options or Rights granted under the Plan shall for any reason terminate or

expire without having been exercised in full, the Shares subject to such Options or Rights shall be available again for the purposes of the Plan. On the exercise of a General or Limited Right, the Related Option, if any, shall be considered to have been exercised to the extent such General or Limited Right is exercised for the purpose of determining the number of Shares available for the grant of further Options or Rights pursuant to the Plan.

5. Eligibility

Options and/or Rights may be granted only to full or part-time employees of the Company and/or of any Affiliate. Outside Directors shall not be eligible for the benefits of the Plan, except as provided in Section 8 hereof. Any employee or Outside Director may hold more than one Option and Right at any time.

6. Stock Options -- General Provisions

(a) Except for automatic grants of Options to Outside Directors under Section 8 hereof, each Option granted pursuant to the Plan may, at the discretion of the Board or its delegate, be granted either as an ISO or as an NSO. No option may be granted alternatively as an ISO and as an NSO.

(b) To the extent that the aggregate exercise price for ISOs which are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plans of the Company or its Affiliates) exceeds \$100,000, such options shall be treated as NSOs.

(c) No ISO may be granted to a person who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of the Company or any of its Affiliates unless the exercise price is at least 110% of the Fair Market Value per Share of the stock subject to the option and the term of the option does not exceed five (5) years from the date such ISO is granted.

(d) No ISO may be granted to a consultant or advisor eligible to receive Options under this Plan.

7. Terms of Option Agreement

Except as otherwise required by the terms of Section 8 hereof, each option agreement shall be in such form and shall contain such terms and conditions as the Board or its delegate from time to time shall deem appropriate, subject to the following limitations:

(a) The term of any Option (other than an ISO) shall not be greater than ten (10) years and one day from the date it was granted. The term of any ISO shall not be greater than ten (10) years from the date it was granted.

(b) The exercise price of each Option shall be not less than the Fair Market Value per Share of the stock subject to the Option on the date the Option is granted.

(c) Unless otherwise specified in the Option Agreement an option shall not be transferable otherwise than by will, pursuant to the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement

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Income Security Act, or the rules thereunder.

(d): Except as otherwise provided in paragraph (e) of this Section 7 or in a Participant's employment agreement, the rights of a Participant (other than an Outside Director) to exercise an Option shall be limited as follows:

(1) DEATH OR DISABILITY: If a Participant's service is terminated by

death or disability, then the Participant or the Participant's estate, or such other person as may hold the Option, as the case may be, shall have the right for a period of twelve (12) months following the date of death or disability, or for such other period as the Board may fix, to exercise the Option to the extent the Participant was entitled to exercise such Option on the date of his death or disability, or to such extent as may otherwise be specified by the Board (which may so specify after the date of his death or disability but before expiration of the Option), provided the actual date of exercise is in no event after the expiration of the term of the Option. A Participant's estate shall mean his legal representative or any person who acquires the right to exercise an Option by reason of the Participant's death or disability.

(2) MISCONDUCT: If a Participant is determined by the Board to have

committed on act of theft, embezzlement, fraud, dishonesty, a breach of fiduciary duty to the Company (or Affiliate), or deliberate disregard of the rules of the Company (or Affiliate), or if a Participant makes any unauthorized disclosure of any of the trade secrets or confidential information of the Company (or Affiliate), engages in any conduct which constitutes unfair competition with the Company (or Affiliate), induces any customer of the Company (or Affiliate) to break any contract with the Company (or Affiliate), or induces any principal for whom the Company (or Affiliate) acts as agent to terminate such agency relationship, then, unless otherwise provided in a Participant's employment agreement, neither the Participant, the Participant's estate nor such other person who may then hold the Option shall be entitled to exercise any Option with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Participant may receive payment from the Company (or Affiliate) for vacation pay, for services rendered prior to termination, for services rendered for the day on which termination occurs, for salary in lieu of notice, or for any other benefits. In making such determination, the Board shall give the Participant an opportunity to present to the Board evidence on his behalf. For the purpose of this paragraph, unless otherwise provided in a Participant's employment agreement, termination of service shall be deemed to occur on the date when the Company dispatches notice or advice to the Participant that his service is terminated.

(3) TERMINATION FOR OTHER REASONS: If a Participant's service is

terminated for any reason other than those mentioned above under "DEATH OR DISABILITY" or "MISCONDUCT," the Participant, the Participant's estate, or such other person who may then hold the Option may, within three months following such termination, or within such longer period as the Board may fix, exercise the Option to the extent such Option was exercisable by the

Participant on the date of termination of his employment or service, or to the extent otherwise specified by the Board (which may so

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specify after the date of the termination but before expiration of the Option) provided the date of exercise is in no event after the expiration of the term of the Option.

(4) EVENTS NOT DEEMED TERMINATIONS: Unless otherwise provided in a

Participant's employment agreement, the service relationship shall not be considered interrupted in the case of (i) a Participant who intends to continue to provide services as a director, employee, consultant or advisor to the Company or an Affiliate; (ii) sick leave; (iii) military leave; (iv) any other leave of absence approved by the Board, provided such leave is

for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing; or (v) in the case of transfer between locations of the Company or between the Company or its Affiliates. In the case of any employee on an approved leave of absence, the Board may make such provisions respecting suspension of vesting of the Option while on leave from the employ of the Company or an Affiliate as it may deem appropriate, except that in no event shall an Option be exercised after the expiration of the term set forth in the Option.

(e): Unless otherwise provided in a Participant's employment agreement, if any Participant's employment is terminated by the Company for any reason other than for Misconduct or, if applicable, by Constructive Termination, within one year after a Change of Control has occurred, then all Options held by such Participant shall become fully vested for exercise upon the date of termination, irrespective of the vesting provisions of the Participant's Option agreement. For purposes of this subsection (e), the term "Change of Control" shall have the meaning assigned by this Plan, unless a different meaning is defined in an individual Participant's Option agreement or employment agreement.

(d) Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Board or its delegate shall deem appropriate.

8. Automatic Grants to Outside Directors

[deleted]

9. Payments and Loans Upon Exercise of Options

With respect to Options other than Options granted to Outside Directors pursuant to Section 8, the following provisions shall apply:

(a) The exercise price of Shares sold pursuant to an Option shall be paid either in full in cash or by certified check at the time the Option is exercised or in accordance with any deferred payment arrangement that the Board or its delegate in its discretion may approve.

(b) In addition, if and to the extent authorized by the Board or its delegate, Participants may make all or any portion of any payment due to the Company upon exercise of an Option (i) by delivery of any property (including securities of the Company) other than cash, so long as such property constitutes valid consideration for the stock under applicable law and has a fair market value on date of delivery equal to the exercise price, or (ii) by delivery to the Company of a

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properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company from sale or loan proceeds the amount required to pay the exercise price and any applicable tax withholding. If securities of the Company are delivered in payment of the exercise price pursuant to this paragraph, such securities shall have been owned for at least six months (or such other period as the Board or its delegate may require) and have a fair market value on the date of surrender equal to the exercise price. Any securities delivered by a Participant who is subject to Section 16 of the Exchange Act must be the same class of stock as the stock to be received upon exercise of the Option.

(c) The Company may make loans or guarantee loans made by an appropriate financial institution to individual Participants, including officers, on such terms as may be approved by the Board of Directors for the purpose of financing the exercise of Options granted under the Plan and the payment of any taxes that may be due by reason of such exercise.

(d) In addition, a Participant may elect to have the Company withhold from

the number of Shares otherwise issuable upon exercise of an Option, a sufficient number of Shares with an aggregate Fair Market Value per Share on the date of exercise equal to the exercise price. Any such election shall be subject to the approval of the Board or its delegate and must be made in compliance with rules and procedures established by the Board or its delegate.

10. Tax Withholding

(a) Where, in the opinion of counsel to the Company, the Company has or will have an obligation to withhold taxes relating to the exercise of any Option or Right, the Board or its delegate may in its discretion require that such tax obligation be satisfied in a manner satisfactory to the Company. In satisfying such obligation with respect to a General or Limited Right exercised for cash, the Company may withhold such taxes from any cash award. With respect to the exercise of an Option or a General Right, in whole or in part, for Shares, the Company may require the payment of such taxes before Shares deliverable pursuant to such exercise are transferred to the holder of the Option or General Right.

(b) With respect to the exercise of an Option or a General Right, in whole or in part, for Shares, a Participant may elect (a "Withholding Election") to pay his withholding tax obligation by the withholding of Shares from the total number of Shares deliverable pursuant to the exercise of such Option or General Right or by delivering to the Company a sufficient number of previously acquired Shares owned for at least six months or such other period as the Board or its delegate may require. The value of Shares withheld or delivered shall be the Fair Market Value per Share on the date the exercise becomes taxable. All Withholding Elections are subject to the approval of the Board or its delegate and must be made in compliance with rules and procedures established by the Board or its delegate.

11. Stock Appreciation Rights -- General Rights

(a) The Board or its delegate shall have authority in its discretion to grant a General Right to any eligible employee. A General Right may be granted to a Participant irrespective of whether such Participant holds, is being granted, or has been previously granted an Option, a Limited Right or a General Right under the Plan. A General Right may be made exercisable without regard to the exercisability of any Option or may be made exercisable only to the extent of,

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and in lieu of, a Related Option. A General Right may be granted with respect to some or all of the Shares issuable pursuant to the Related Option.

(b) With respect to the exercise of any General Right for Shares by any Participant, and with respect to the exercise of a General Right for Shares or cash by a Participant who is not subject to Section 16 of the Exchange Act, the term "Spread" as used in paragraph (c) of this Section 11 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date such General Right is exercised over (B) the Award Price by (ii) the number of Shares with respect to which such General Right is being exercised. With respect to the exercise of any General Right for cash by a Participant who is subject to Section 16 of the Exchange Act pursuant to an election made in accordance with paragraphs (c) and (d) of this Section 11, the term "Spread" as used in paragraph (c) of this Section 11 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the highest Fair Market Value per Share during a Window Period over (B) the Award Price by (ii) the number of Shares with respect to which such General Right is being exercised. With respect to the exercise of a General Right for cash pursuant to an election made in accordance with paragraph (f) of this Section 11 by a Participant who is subject to Section 16 of the Exchange Act, the term "Spread" as used in paragraph (c) of this Section 11 shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date the election becomes effective over (B) the Award Price by (iii) the number of Shares with respect to which the General Right is being exercised.

(c) On the exercise of a General Right as provided in paragraph (g) of this Section 11, the holder thereof (subject to compliance with paragraph (d) or paragraph (f) of this Section 11, if applicable) shall be entitled at his election to receive either:

(i) a number of Shares equal to the quotient computed by dividing the Spread by the Fair Market Value per Share on the date of exercise of the General Right; provided, however, that in lieu of fractional Shares the Company shall pay cash equal to the same fraction of the Fair Market Value per Share on the date of exercise of the General Right; or

(ii) an amount in cash equal to the Spread; or

(iii) a combination of cash in the amount specified in such holder's notice of exercise, and a number of Shares calculated as provided in clause (i) of this paragraph (c), after reducing the Spread by such cash amount, plus cash in lieu of any fractional Share as provided above.

(d) This paragraph (d) shall only apply to Participants who are subject to Section 16 of the Exchange Act. Unless an election to receive cash upon the exercise of a General Right is made pursuant to paragraph (f) of this Section 11, the Board or its delegate shall have sole discretion to consent to or disapprove, in whole or in part, the election pursuant to either clause (ii) or (iii) of paragraph (c) of this Section 11 of a holder of a General Right to receive cash upon the exercise of a General Right ("Cash Election"). Such consent or disapproval may be given at any time after the Cash Election to which it relates. If the Board or its delegate shall disapprove a Cash Election, in lieu of paying the cash (or any portion thereof) specified in such Cash Election, the Board or its delegate shall determine the cash, if any, to be paid pursuant to such Cash Election and shall issue a number of Shares calculated as provided in clause (i) of paragraph (c) of this Section 11, after

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reducing the Spread by such cash to be paid plus cash in lieu of any fractional Share. A Cash Election may be made only (x) with respect to a General Right which has been held at least six months from the date of grant of such General Right, and (y) during a Window Period. A Cash Election made in advance of a Window Period shall be deemed to have been made and to take effect on the first day of the first Window Period occurring after such election.

(e) Notwithstanding the provision of paragraph (c) of this Section 11, if the employment of any Participant is terminated by the Company for any reason other than for Misconduct (or, if applicable, by Constructive Termination) within one year after a Change of Control has occurred, then such Participant's General Right shall become fully vested and may be exercised only for cash during a period of sixty days beginning on the date of termination; provided, however, that with respect to a General Right held by a Participant who is subject to Section 16 of the Exchange Act, the event constituting a Change of Control shall have been subject to stockholder approval by non-insider stockholders of the Company, as determined under Rule 16(b)(3) of the Exchange Act, and if such General Right has not been outstanding for at least six months on the date of termination, then the sixty-day period shall not begin until the expiration of six months from the date of grant of such General Right. Upon such exercise, a holder of a General Right shall be entitled to receive an amount in cash equal to the Spread which, for purposes of this paragraph (e) of this Section 11, shall mean an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date such General Right is exercised over (B) the Award Price, by (ii) the number of Shares with respect to which such General Right is being exercised.

(f) An election by a Participant who is subject to Section 16 of the Exchange Act to receive cash upon the exercise of a General Right may be made without compliance with paragraph (d) of this Section 11, if such election is irrevocable and the receipt of cash pursuant to such election occurs no earlier than six months after such election is made. An election made pursuant to this paragraph (f) may be changed only by a subsequent irrevocable election to take effect no earlier than six months after the date such subsequent election is made.

(g) To exercise a General Right, the holder shall (i) give notice thereof to the Company in form satisfactory to the Board or its delegate addressed to the Secretary of the Company specifying (A) the number of Shares with respect to which such holder is exercising the General Right and (B) the amount such holder elects to receive in cash, if any, and the amount he elects to receive in Shares with respect to the exercise of the General Right; provided, however, that notice of the exercise of a General Right pursuant to paragraph (e) of this Section 11 shall only specify the number of Shares with respect to which the General Right is being exercised for cash; and (ii) if requested by the Company, deliver the Right Agreement relating to the General Right being exercised and the Option Agreement for any Related Option to the Secretary of the Company, who shall endorse thereon a notation of such exercise and return the Right Agreement and Option Agreement to the Participant. The date of exercise of a General Right which is validly exercised shall be the date on which the Company shall have received the notice referred to in the first sentence of this paragraph (g).

12. Stock Appreciation Rights -- Limited Rights

(a) The Board or its delegate shall have authority in its discretion to grant a Limited

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Right to the holder of a Related Option. A Limited Right may be granted with respect to all or some of the Shares covered by such Related Option. A Limited Right may be granted either at the time of grant of the Related Option or at any time thereafter during its term. A Limited Right may be granted to a Participant irrespective of whether such Participant is being granted or has been granted a General Right with respect to the same Related Option. Unless specified in the Right Agreement as an Automatic Right, a Limited Right may be exercised only during a period of sixty days beginning on the date of a Change of Control;

provided, however, that with respect to a Limited Right held by a Participant who is subject to Section 16 of the Exchange Act the event constituting a Change of Control shall have been subject to stockholder approval by non-insider stockholders of the Company, as determined under Rule 16(b)(3) of the Exchange Act, and if such Limited Right has not been outstanding for at least six months on the date of the Change of Control, then the sixty-day period shall not begin until the expiration of six months from the date of grant of such Limited Right. Notwithstanding the provisions of the immediately preceding sentence, each Limited Right shall be exercisable only if and to the extent that the Related Option is exercisable. A Limited Right granted as an Automatic Right, shall be exercised automatically and only for cash, on satisfaction of conditions specified in the Right Agreement.

(b) The term "Spread" as used in this Section 12 with respect to the exercise of any Limited Right shall mean an amount equal to the product computed by multiplying (i) the excess of (A) either (x) the highest Fair Market Value per Share during the sixty-day period ending on the date of the Change of Control, or (y) the Event Price per Share, whichever is greater, over (B) the exercise price per Share at which the Related Option is exercisable, by (ii) the number of Shares with respect to which such Limited Right is being exercised.

(c) Upon the exercise of a Limited Right as provided in paragraph (e) of this Section 12, the holder thereof shall receive an amount in cash equal to the Spread.

(d) Notwithstanding any other provision of this Plan, no General Right which has a Related Option may be exercised for cash at any time when any Limited Right which was granted with respect to the same Related Option may be exercised.

(e) To exercise a Limited Right, the holder shall (i) give notice thereof to the Company in form satisfactory to the Board or its delegate specifying the number of Shares with respect to which such holder is exercising the Limited Right, and (ii) if requested by the Company, deliver the Right Agreement relating to the Limited Right being exercised and the Option Agreement for the Related Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return the Right Agreement and the Option Agreement to the employee. The date of exercise of a Limited Right which is validly exercised shall be deemed to be the date on which the Company shall have received the notice referred to in the first sentence of this paragraph (e).

13. Stock Appreciation Rights -- General Provisions

(a) Either a General Right or a Limited Right, or both a General Right and a Limited Right, may be granted with respect to the same Related Option. Upon the exercise of a Right, any Related Option shall cease to be exercisable to the extent of the stock with respect to which the Right is exercised. Upon the exercise or termination of any Related Option, the Right or Rights that relate thereto will cease to be exercisable to the extent of the number of Shares with respect to which the Related Option is exercised or terminated.

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(b) The Company intends that Sections 11, 12 and 13 shall comply with the requirements of Rule 16b-3 (the "Rule") under the Exchange Act during the term of this Plan. Should any provision of these Sections 11, 12 and 13 fail to comply with or be unnecessary to comply with the requirements of the Rule, the Board may amend this Plan to add to or modify the provisions of this Plan accordingly without seeking stockholder approval.

(c) Unless otherwise specified in the Right Agreement, no General or Limited Right shall be transferable except by will, by the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder; provided, however, that the terms of a General or Limited Right granted with respect to an ISO shall comply with the requirements of the Code as necessary to maintain the status of the Related Option as an ISO including, without limitation, transferability and exercisability restrictions.

(d) A person exercising a General Right shall not be treated as having become the registered owner of any Shares issued on such exercise until such Shares are issued.

(e) Each General or Limited Right shall be on such terms and conditions not inconsistent with this Plan as the Board or its delegate may determine and shall be evidenced by a Right Agreement setting forth such terms and conditions executed by the Company and the holder of the General or Limited Right.

14. Adjustments of and Changes in the Stock

If there is any change in the Common Stock of the Company by reason of any stock dividend, stock split, spin-off, split up, merger, consolidation, recapitalization, reclassification, combination or exchange of shares, or any other similar corporate event, then the Board or its delegate shall make appropriate adjustments to the number of Shares of Common Stock of the Company

theretofore appropriated or thereafter subject or which may become subject to an Option or Right under the Plan. Outstanding Options and Rights shall also be automatically converted as to price and other terms if necessary to reflect the foregoing events. No right to purchase fractional shares shall result from any adjustment in Options or Rights pursuant to this Section 14. In case of any such adjustment, the Shares subject to the Option or Right shall be rounded down to the nearest whole Share. Notice of any adjustment shall be given by the Company to each holder of any Option or Right which shall have been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

15. Effective Date of the Plan

The Plan shall become effective when adopted by the Board, but no Option or Right granted under this Plan shall be exercisable until the Plan is approved by the affirmative vote of a majority of the holders of voting stock who are present or represented and entitled to vote at a meeting of stockholders of the Company duly called and held.

16. Amendment of the Plan

(a) The Board of Directors at any time, and from time to time, may amend the Plan,

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subject to the limitation, however, that, except as provided in Section 14 (relating to adjustments upon changes in stock), no amendment for which stockholder approval is required shall be effective unless such approval is obtained within the required time period. Whether stockholder approval is required shall be determined by the Board of Directors and shall be consistent with the rules of the Securities and Exchange Commission, the Code or the stock exchange(s) on which the Company's shares are listed, as such rules are in effect at the time the Plan amendment is adopted by the Board of Directors. Approval of the stockholders may be obtained by the affirmative vote of a majority of the holders of the Company's voting stock who are present or represented and entitled to vote at a meeting of stockholders of the Company duly called and held, or by the written consent of the holders of a majority of the outstanding voting stock of the Company.

(b) It is expressly contemplated that the Board may, without seeking approval of the Company's stockholders, amend the Plan in any respect necessary to provide the Company's employees with the maximum benefits provided or to be provided under Section 422 of the Code or Section 16 of the Securities and Exchange Act of 1934 and the regulations promulgated thereunder relating to employee incentive stock options and/or to bring the Plan or Options granted under it into compliance therewith.

(c) Rights and obligations under any Option or Right granted before any amendment of the Plan shall not be altered or impaired by amendment of the Plan, except with the consent of the person who holds the Option or Right, which consent may be obtained in any manner that the Board or its delegate deems appropriate.

(d) The Board of Directors may not amend the provisions of Section 8 hereof more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder.

17. Termination or Suspension of the Plan

The Board of Directors at any time may suspend or terminate the Plan. The Plan, unless sooner terminated, shall terminate at the end of ten years from the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Option or Right may be granted under the Plan while the Plan is suspended or after it is terminated. Rights and obligations under any Option or Right granted while the Plan is in effect, including the maximum duration and vesting provisions, shall not be altered or impaired by suspension or termination of the Plan, except with the consent of the person who holds the Option or Right, which consent may be obtained in any manner that the Board or its delegate deems appropriate.

18. Registration, Listing, Qualification, Approval of Stock and Options

All Options and Rights granted under the Plan are subject to the requirement that if at any time the Board shall determine in its discretion that the registration, listing or qualification of the shares of stock subject thereto on any securities exchange or under any applicable law, or the consent or approval by any governmental regulatory body or the stockholders of the Company, is necessary or desirable as a condition of or in connection with the issuance of shares upon exercise of the Option or Right, the Option or Right may not be exercised in whole or in part unless such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board of Directors.

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19. No Right to Employment

Nothing in this Plan or in any Option or Right agreement shall be deemed to confer on any employee any right to continue in the employ of the Company or any Affiliate or to limit the rights of the Company or its Affiliates, which are hereby expressly reserved, to discharge an employee at any time, with or without cause, or to adjust the compensation of any employee.

20. Miscellaneous

The use of any masculine pronoun or similar term is intended to be without legal significance as to gender.

Updated February 19, 2001

ADVANCED MICRO DEVICES, INC.
1992 STOCK INCENTIVE PLAN

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AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

AS OF NOVEMBER 3, 2000

BETWEEN

ADVANCED MICRO DEVICES, INC.

AND

W. J. SANDERS III

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AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
DATED AS OF NOVEMBER 3, 2000
ADVANCED MICRO DEVICES, INC.
AND
W. J. SANDERS III

This Amended and Restated Employment Agreement (the "Agreement") is made and entered into as of the 3rd day of November, 2000 (the "Effective Date") by and between W. J. Sanders III ("Executive") and Advanced Micro Devices, Inc., a Delaware corporation ("Company") and amends and restates in its entirety the agreement between them as of September 29, 1996.

R E C I T A L S

A. Executive and Company entered into an employment agreement as of July 1, 1991 (the "Original Employment Agreement"), which was amended and completely restated as of September 29, 1996 (the "Prior Employment Agreement").

B. Executive is the founder of Company and remains instrumental to developing and expanding its business and operations, possesses unique and invaluable knowledge, skills and judgment with respect to such business, and maintains strong ties with the business community essential to the continued success and growth of Company.

C. The non-management directors believe that Executive is uniquely qualified to protect and enhance the best interests of Company and its stockholders and that entering into this amended employment contract to provide for Executive's continued stewardship will be of great value to Company and the long-term interests of its stockholders.

D. 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 Company and its stockholders.

E. The non-management members of Company's Board of Directors have determined that in the event of that contingency it is imperative to be able to rely upon management's continuance and in particular Executive's leadership, and that appropriate steps should be taken to reinforce and encourage that leadership and to reward Executive's essential service.

F. Executive and Company now desire to recognize Executive's extraordinary service; provide him continuing incentives to promote and enhance Company's short and long term strategies and opportunities by extending bonus opportunities and providing

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additional stock-based, long term incentives; better align his compensation and termination benefits relative to other executives, within and outside the Company, recognizing his unique and special contributions and responsibilities; prepare for and facilitate a smooth transition of executive roles and leadership upon his anticipated retirement as chief executive officer in early 2002; provide for his continuing service as Chairman through 2003; respond to changing practices in executive compensation since his employment contract was last revised; and modify certain other terms and conditions contained in the Prior Employment Agreement.

G. Executive and Company desire to address more particularly the results of his retirement as chief executive officer, and provide reasonable accommodations to him thereafter consistent with those being made in the marketplace for long-serving leaders of his stature.

1. Term

The term of services under this Agreement commenced as of September 1, 1996 and shall terminate on December 27, 2003.

2. Position and Duties

(a) Executive shall be employed by Company as its Chairman and Chief Executive Officer through the earlier of the annual stockholders meeting in 2002 or June 30, 2002 (the "Initial Term"). Executive shall report directly and

solely to Company's Board of Directors ("Board"). The Board agrees to nominate

Executive for election to the Board as a member of its slate at each annual meeting of stockholders during the Initial Term and the Extended Term. Executive agrees to serve on the Board if elected. The duties and responsibilities of Chairman and Chief Executive Officer shall be as defined in the By-Laws of Company in effect as of the date hereof, and shall be without consideration of other positions Executive may hold with Company. Executive's services are mutually agreed to be unique.

(b) Executive shall be employed by Company as its Chairman from the completion of the Initial Term through December 27, 2003 (the "Extended Term").

During such period, Executive shall continue for all purposes of this Agreement and the Prior Employment Agreement to be an executive officer and key employee of Company and shall report directly and solely to the Board.

(c) During Executive's period of service hereunder, Executive agrees to perform such services not inconsistent with his position as shall from time to time be assigned to him by Company's Board. During the Initial Term, except for disability, illness and reasonable vacation periods, Executive shall devote substantially his full productive time, attention, and energies to the position of Chairman and Chief Executive Officer.

(d) Without the prior express authorization of Company, Executive shall not, directly or indirectly, during the term of service:

(1) Render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise; or

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(2) Engage in any activity competitive with or adverse to Company's business or welfare, whether alone, as a partner, or as an officer, director, employee or holder (directly or indirectly, such as by means of a trust or option arrangement) of more than 1% of the capital stock of any class of any other corporation.

Notwithstanding the foregoing requirement of substantially full-time services to be rendered by Executive on behalf of Company, his expenditure of reasonable amounts of time in connection with outside activities, not competitive with Company's business, such as additional outside directorships (but only with Board approval), or charitable or professional activities, or, after the Initial Term, other business ventures shall not be considered to be in violation of this Agreement, subject, however, to the requirement that in no event shall any such activities materially interfere with the performance of Executive required under this Agreement. Further, it is understood and agreed by the parties hereto that Executive is entitled to engage in passive and personal investment activities not materially interfering with his performance hereunder. Service as an executive of an affiliate of Company, whether separately compensated or not, shall not be considered to be in contravention of this paragraph (d).

3. Salary

(a) Through the Initial Term Executive shall continue to receive an annual base salary of \$1,000,000 in cash, plus increases for indexed adjustments under the Prior Employment Agreement and as provided below. The Board of Directors (or such Committee as may be designated by the Board) shall review Executive's salary at least annually at or before the first regularly scheduled Board meeting following the annual stockholders meeting of each fiscal year during the Initial Term. The Board (or designated Committee), in its discretion, may increase the base salary based upon relevant circumstances. The base salary shall not be reduced during the Initial Term. The Compensation Committee of the Board shall fulfill the Board's obligations under this Section 3(a) until such designation is revoked by the Board. In addition to any and all deferred balances and prior accrued salary obligations of Company, if during any one year period of January 1 to December 31 commencing in the year 2000, the Consumer Price Index for Urban Wage Earners, San Francisco, published by the Bureau of Labor Statistics of the U.S. Department of Labor ("CPI-W") increases,

the salary for the following one year period from January 1 to December 31 shall be automatically increased by the same percentage. All past and ongoing indexed salary increases shall be accrued on a continuous basis and shall bear interest from the date of accrual at an annual rate of 120% of the federal long-term rate, with compounding from the effective date of the Prior Employment Agreement. The accrued balance of all indexed salary increases under this and prior agreements, together with accrued interest thereon, shall be paid at the earliest time at which a deduction for federal income tax purposes will be allowed for payment of such amounts under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), but in any event no later than March 31,

2004, which earliest time shall be referred to as the "Section 162(m) Deferred Payment Date".

(b) During the Extended Term Executive shall receive an annual base salary of no less than \$750,000 (plus adjustments calculated as provided above for CPI-W increases, from base year 1996 through the Extended Term on an amount of \$500,000) for the period January 1, 2002 through December 29, 2002 and of no less than \$600,000 (plus the same adjustments) for the period January 1, 2003 through December 28, 2003. The Board (or

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designated committee), in its discretion, may increase the annual base salary based upon relevant circumstances. The base salary shall not be reduced during the Extended Term.

(c) Except as provided above, base salary shall be paid in installments consistent with Company's usual payroll practices for executive officers.

4. Bonus

(a) Executive shall, as provided in, and subject to, this Section 4(a) and Sections 4(b) and (c) below, receive an incentive bonus for each of Company's fiscal years ending December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000, December 30, 2001 and December 29, 2002 under Company's 1996 Executive Incentive Plan in an amount equal to six-tenths of one percent (0.6%) of Adjusted Operating Profits of Company in excess of twenty percent (20%) of the Adjusted Operating Profits of Company for Company's immediately preceding fiscal year. For the fiscal year ending December 28, 2003, such annual bonus shall be in an amount equal to two-tenths of one percent (0.2%) of Adjusted Operating Profits of Company in excess of twenty percent (20%) of the Adjusted Operating Profits for Company's immediately preceding fiscal year. The annual bonus shall be paid immediately upon release by Company of its operational results for the last quarter of each fiscal year referred to above. The amount payable under this Section 4(a) or Section 4(b) shall not be subject to the further discretion of Company's Compensation Committee and shall not be reduced or deferred except as specifically provided in this Section 4 or as otherwise agreed to by Executive.

For purposes of all calculations, "Adjusted Operating Profits" of Company shall be deemed to constitute operating income, as reported on Company's financial statements, increased for any pre-tax operating income and decreased for any pre-tax operating loss from the Fujitsu joint venture (and any other joint ventures approved by Executive and the Board for these purposes) and increased by any expenses accrued for profit sharing plan contributions, bonuses under Company's Executive Bonus Plan, bonuses to the Chief Operating Officer of Company and, in fiscal years 2002 and 2003, any other Chief Executive Officer, and bonuses (including bonuses under this Agreement and the Prior Employment Agreement) provided for in Sections 4(a), (b) and (d) hereof. The provisions of this Agreement with respect to bonus-related benefits following a termination of service shall supersede any "in service" provisions (including last day of year service requirements) of the 1996 Executive Incentive Plan.

(b) The maximum bonus initially payable to Executive under Section 4(a) above in each fiscal year shall not be greater than \$5,000,000. The amount of the bonus which exceeds the maximum bonus payable in any one fiscal year, if any (the "Excess Bonus") shall be carried over (on a "first-in, first-out"

basis) and added to the bonus (if any) determined for any of the next three fiscal years, whether or not any one or more of such fiscal years ends before or after the end of the Extended Term; provided the Excess Bonus, or portion thereof, does not cause the bonus payable in any fiscal year to exceed \$5,000,000 or any higher maximum bonus payable in that year.

(c) If there shall be a combination of Company with another company or a reorganization or capital restructuring of Company, or any other occurrence similar to any of the foregoing, and as a result thereof the amount or value of the bonuses payable pursuant to the

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bonus formula set forth in Section 4(a) above would be, or could reasonably be expected to be, significantly affected thereby, appropriate adjustment will, at the request of either party, be negotiated to establish a substitute formula to yield an equitable and comparable result. If the parties cannot agree upon such substitute formula, or if the parties cannot agree as to whether or not an occurrence which would give rise to the right of either party to request adjustment pursuant to the foregoing has occurred, the parties shall submit such matter to arbitration under the provisions of Section 27.

(d) In addition to the bonus payable in each fiscal year under Section 4(a), Executive shall be entitled to receive as an additional bonus such additional amounts as the Board (or such Committees as may be designated by the Board) shall determine in its discretion. In determining the amount of such additional amounts, the Board (or Committee) shall consider among other things

Executive's contribution to the accomplishment of Company's long-range business goals, the success of various corporate strategies in which Executive participated in reaching those goals, and Executive's unique services in connection with the maintenance or increase in stockholder value of Company. The Compensation Committee of the Board shall fulfill the Board's obligations under this Section 4(d), until such designation is revoked by the Board.

5. Stock Options and Related Incentive Plans

(a) Executive shall be eligible to participate in the Stock Option Plans of Company and any additional or successor incentive plan or plans. Any option grants made to Executive pursuant to such plans shall provide for an expiration date of ten (10) years following the date of grant subject to earlier termination following termination of service only pursuant to Section 5(c), 13 or 15 hereof.

(b) As of the Effective Date, Executive was granted time-based options to purchase an aggregate 1,200,000 shares of Company's Common Stock (the "New

Option" or "New Options"), pursuant to Company stock incentive plans (as amended) under which the options are duly authorized (the "Option Plan" or

"Options Plans"). The New Options shall have an exercise price equal to one

hundred percent (100%) of the fair market value of Company Common Stock as of the Effective Date. Of the New Option shares, 350,000 shares shall become vested and fully exercisable on and after November 15, 2000; 350,000 shares shall become vested and fully exercisable on and after November 15, 2001; 250,000 shares shall become vested and fully exercisable on and after November 15, 2002; and 250,000 shares shall become vested on and after November 15, 2003 and shall become fully exercisable on the date Executive ceases to be an executive officer or any earlier date on which an exercise would not render the option "spread" nondeductible to Company by reason of Section 162(m) of the Code, but in no event later than June 30, 2004; provided in each case that

(except as provided elsewhere in this Agreement or as accelerated under other provisions of this Agreement) Executive is providing services to Company as an officer, director or employee on the applicable vesting date. Each New Option shall be transferable upon election by Executive, to the extent consistent with applicable restrictions under Company's registration of the underlying shares with the SEC.

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(c) Each New Option described in this Section 5 shall be subject to, and governed by, the terms and provisions in the applicable Option Plan, except to the extent of modifications that are expressly provided for in this Agreement. Notwithstanding anything in the applicable Option Plan to the contrary, the New Options shall be exercisable, to the extent vested as provided in Section 5(b) (or vested and made exercisable by acceleration as provided for elsewhere in this Agreement or the Option Plan), for the following periods after the last date of termination of all of Executive's services to Company in any and all capacities as a director, officer or employee of Company:

(i) in the case of a termination because of death or disability (including Disability), five years;

(ii) in the case of a termination by reason of Executive's voluntary resignation or retirement, other than pursuant to Section 14,

(A) before age 65, without the consent of the Board, one year;

(B) before age 65, with the consent of the Board, three years;

and

(C) after age 65, five years;

(iii) in the case of a termination by Company pursuant to Section 13(a) (ii) of this Agreement, 30 days; and

(iv) in the case of a termination by Executive pursuant to Section 14, or by Company pursuant to Section 13(a)(iii), or by Company for reasons not otherwise referred to above, five years, in each case except as expressly otherwise provided in Section 15(a)(iv).

(d) Executive agrees to enter into stock option agreements with Company containing the terms and provisions of the New Options together with such other terms and conditions as counsel for Company may reasonably require to assure compliance with applicable federal and state securities law and stock exchange requirements in connection with the issuance of shares of Company Common Stock upon exercise of the New Options granted as provided herein. Company will undertake, as soon as practicable, to register the shares underlying the New Options on Form S-8 under the Securities Act of 1933 (to the

extent not previously registered) and shall keep such Form S-8 in effect for the entire period the New Options remain outstanding.

(e) All outstanding options, stock appreciation rights, restricted stock and other stock-based awards held by Executive prior to November 3, 2000 ("Prior Options") shall remain outstanding in accordance with their original

terms and (i) as to options granted prior to September 29, 1996, the terms of the Original Employment Agreement and the Management Continuity Agreement dated July 1, 1991 between Company and the Executive (the "MCA") and (ii) as to

options contemplated by and granted pursuant to the Prior Employment Agreement, the terms thereof. In the event of any inconsistency or ambiguity with respect to any options, rights, restricted stock or stock-based awards, the provisions that are most favorable to the Executive shall prevail.

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(f) Notwithstanding any provision of this Agreement to the contrary, in no event shall any New Option be exercisable beyond the maximum 10-year period allowed therefor under the applicable Plan.

6. Reimbursement of Expenses

Executive shall be authorized to incur and shall be reimbursed by Company for reasonable expenses for the advancement of Company's business pursuant to standing Company policy and those specific categories of such expenses as the Board has defined, which shall not during the period of any service hereunder be reduced as to Executive.

7. Other Benefits During Service

(a) During the period of any service hereunder, Executive shall also be entitled to receive all other benefits of service which are, and which may be in the future, generally available to members of Company's management, and specifically, an allowance for use of automobiles as provided from time to time by action of the Board of Directors, as well as, without limitation, group health, disability, and life insurance benefits and participation in any Company profit-sharing, retirement or pension plan, and vacation consistent with the vacation policies of Company.

(b) No later than March 31st of each year during the term, Company shall pay Executive an amount necessary to reimburse Executive for federal and state income taxes payable with respect to income recognized by the Executive for income tax purposes as a result of (i) Company providing the Executive with the services of any individuals hired as a driver/security guard, and (ii) the amount paid under this Section 7(b), so that Executive will be in the same after-tax position as if no such taxes had been imposed. Company (consistent with past practice) shall reimburse or pay the costs of any driver/guard and security, provided that reimbursement of any residential security costs (exclusive of any driver/guard or any payments under clauses (i) and (ii) above) incurred other than while traveling on Company business shall not exceed \$100,000.

(c) In addition, Company shall provide up to \$25,000 each year for expenses incurred by Executive for estate, tax and financial planning, insurance (including annuity) products and benefits, and related attorneys' fees. If such expenses are less than \$25,000 in any one year after 1995, the unused amount(s) shall cumulate and be available to Executive in any year thereafter. Company acknowledges that \$117,247 in unused amount from periods prior to the effective date of the Prior Employment Agreement and all unused additional amounts since the date of the Prior Employment Agreement shall also be available to Executive in future periods for these purposes.

(d) If Executive enters into loan agreements for the purpose of exercising any options or warrants (whether such options or warrants arose by virtue of this Agreement or any other past, present, or future agreement between Executive and Company), or paying taxes thereon or on the vesting of restricted stock, Company shall guarantee such loans for a period ending two (2) years after the date of the event causing tax liability to be incurred by reason of such exercise or vesting. Company's obligation to guarantee such loans shall continue

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notwithstanding Executive's termination of service and shall apply to loans entered into prior to termination of service which may run for a period beyond the Date of Termination (as such term is defined in Section 13(b) hereof), as well as loans obtained subsequent to the Date of Termination, provided that the loan was obtained in connection with the exercise of any option or warrant whenever granted or the vesting of restricted stock. The amount of said guaranteed loans shall not exceed the lesser of: (a) the amount of the exercise price, plus the actual tax paid during the two year period by reason of such exercise and/or vesting, or (b) three and one-half million dollars (\$3,500,000). In addition, if Executive enters into any one or more loan agreements for any

reason whatsoever, Company shall guarantee such loans for a period ending 180 days after retirement, death, or Disability, or other termination of service hereunder (or after any extended period of consulting, as may be approved by the Board) or, in the case termination by Company other than for good cause as set forth in Section 13(a)(ii) hereof or upon the termination by Executive pursuant to Section 14. The amount of said guaranteed loans shall not exceed three and one-half million dollars (\$3,500,000).

8. Special Retirement Benefit; Change of Control

(a) Company will maintain a non-discretionary supplemental retirement arrangement (the "Special Retirement Benefit") to provide additional cash

payments to Executive that will be paid to Executive upon, or at Executive's election after, the Section 162(m) Deferred Payment Date. The Special Retirement Benefit will accrue from September 29, 1996, at the rate of \$400,000 per year on each of December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000 and December 31, 2001.

(b) The Special Retirement Benefit will be due and payable to Executive on (or at Executive's election after) the Section 162(m) Deferred Payment Date and shall be increased by interest at the rate of 9% per year, compounded annually from September 29, 1996 or the applicable date of accrual under Section 8(a) until paid (the "Interest"). Except for payment as otherwise

provided in Section 8(c) and (e), payment of the Special Retirement Benefit plus the Interest (collectively, the "Retirement Payment") shall be made to Executive

only if Executive is Chief Executive Officer of Company on his 65th birthday, provided, however, that a pro rata portion of the Special Retirement Benefit

(determined by multiplying the maximum Special Retirement Benefit by a fraction, the numerator of which is the number of months from January 1, 1997 until Executive's death or Disability and the denominator of which is 60), plus Interest, will be paid to Executive or his designated beneficiary or in the absence of a designated beneficiary, his estate (the applicable beneficiary or estate being herein referred to as "Estate") upon his death or to him or to his

duly authorized representative in event of his Disability as defined in Section 9 hereof.

(c) If Executive's Service hereunder is terminated by Executive pursuant to Section 14 hereof prior to 2002 or by Company pursuant to Section 13(a)(iii) hereof prior to 2002, or if Company shall terminate Executive's service under this Agreement other than for good cause or because of his death or Disability prior to 2002, the unaccrued installments of the Special Retirement Benefit that would have been payable had he remained as Chief Executive Officer through December 31, 2001, plus Interest, shall be accelerated and accrued immediately and the entire amount of the Retirement Payment shall be payable to Executive no later than the Section 162(m) Deferred Payment Date.

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(d) All cash payments pursuant to the Special Retirement Benefit will be paid from the general funds of Company and no special or separate fund will be established and no segregation of assets will be made to assure the payment of funds pursuant to the Special Retirement Benefit. Executive shall have no right, title or interest whatever in or to any investment which Company may make to aid it in meeting its obligations under the Special Retirement Benefit. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between Company and Executive or any other person. To the extent that Executive acquires a right to receive payments pursuant to the Special Retirement Benefit, such right shall be no greater than the right of an unsecured creditor of Company.

(e) In the event or anticipation of a Change of Control, as defined in this Section 8, the unaccrued installments of the Special Retirement Benefit shall be accelerated and accrued and the entire amount of the Special Retirement Benefit, plus Interest (in an amount not less than that which would have been payable had he remained as Chief Executive Officer through 2001), shall be payable to Executive immediately prior to such Change of Control or as soon thereafter as practicable.

(f) For purposes of this Agreement, the term "Change of Control" shall mean a change of control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or in response

to any other form or report to the Securities and Exchange Commission or any stock exchange on which 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, but excluding a person described in (and who continues to satisfy the requirements and conditions of) the proviso at Rule

13d-1(b)(1)(i), (ii) and (iii) and who has not become subject to Rule 13d-1(e)(1) or (g) is or becomes the beneficial owner, directly or indirectly, of securities of Company representing more than 35% of the combined voting power of Company's then outstanding securities; or (ii) in any two-year period, individuals who were members of the Board at the beginning of such period, plus each new director (other than a participant or designate of a participant in a transaction described in clause (i), (ii), (iii) or (iv) of this sentence) 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; (iii) there is consummated a merger or consolidation of Company with or into any other entity, other than a merger or consolidation which would result in the holders of the voting securities of Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 50% of the combined voting power of the voting securities of either Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; (iv) the stockholders of Company approve a plan of complete liquidation of Company or there is consummated the sale or disposition by Company of all or substantially all of Company's assets, other than a sale or disposition by Company of all or substantially all of Company's assets to an entity at least 65% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of Company immediately prior to such sale; or (v) 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,

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determines in its sole discretion within one year after such event, that as a result of such event that there has been a Change of Control.

Notwithstanding the foregoing definition, the term "Change of Control" for purposes of this Agreement (a) shall exclude the acquisition of securities representing more than 35% of the combined voting power of Company (i) by Executive or any group with which Executive is affiliated (as the terms "group" and "affiliate" are defined under the Exchange Act), (ii) by Company, (iii) by any of its wholly-owned subsidiaries (unless after giving effect to the acquisition, less than 65% of the voting power of the subsidiary is held by Company and persons who were stockholders of Company immediately prior to the acquisition), or (iv) by any trustee (or other fiduciary) holding securities of Company under an employee benefit plan now or hereafter established by Company; and (b) shall not apply to the Prior Options, which shall be governed by the provisions of Section 5(e) and the applicable agreements referred to therein. 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.

9. Disability Benefits

"Disability" shall mean Executive's incapacity due to physical or mental illness or cause, which results in the Executive being absent from the performance of his duties with Company on a full-time basis for a period of six (6) consecutive months. The existence or cessation of a physical or mental illness which renders Executive absent from the performance of his duties on a full-time basis shall, if disputed by Company or Executive, be conclusively determined by written opinions rendered by two qualified physicians, one selected by Executive, and one selected by Company. During the period of absence, Executive shall be deemed to be on disability leave of absence, with his compensation paid in full. During the period of such disability leave of absence, the Board of Directors may designate an interim Chief Executive Officer on such terms as it deems proper.

Upon the expiration of twelve (12) consecutive months of such disability leave of absence, Executive's service may be terminated by Company pursuant to the provisions of Section 13(a)(i); provided, however, that prior to the Date of Termination (as defined in Section 13), Executive shall have the right to return to full-time service. At Company's request, Executive shall be required to provide the written opinions of two qualified physicians, one selected by Executive and one selected by Company, to verify Executive's condition of health. If Company refuses to permit Executive to resume full-time service as Chairman and Chief Executive Officer, Company shall be deemed to have terminated this Agreement under Section 13(a)(iii) hereof.

10. Death During Service; Split Dollar Policy

If Executive dies during the term of service contemplated by this Agreement, Company shall pay the regular compensation that would otherwise be payable to Executive up to the end of the month in which his death occurs, plus, as a death benefit, compensation for a period of twelve (12) months thereafter at the same monthly rate of base compensation which prevailed during the month of his death. In addition, Executive shall be entitled to receive the payments and benefits enumerated in Sections 8(b) and 13(c). Any amounts payable to

Executive under this Agreement which are unpaid at the date of Executive's death or payable hereunder or otherwise by reason of his death, unless otherwise expressly provided herein, shall be paid in accordance with the terms of this Agreement to Executive's Estate.

Company shall provide Executive with a split dollar life insurance policy in the amount of one million dollars (\$1,000,000). Under the terms of such split dollar arrangement, on Executive's death, Company shall recover its cumulative premiums paid. If Executive's employment with Company terminates for any reason or Executive desires for any reason to dissolve the split dollar arrangement, Executive may take ownership of the policy by paying to Company an amount equal to Company's cumulative premiums paid, in which event Company shall assign to Executive all of its interest under such policy.

11. Confidential Information

This and the next following Section 12 supersede all previous agreements, if any, between Executive and Company relating to confidential affairs of Company and to inventions conceived or made by Executive. Executive's obligations hereunder are made partly in consideration of the salary to be paid during service by Company. Confidential information shall mean all information generated by Executive or obtained by Executive from or disclosed to Executive by Company which relates to Company's past, present, and future research, development and business activities, trade secrets, including in particular, all matters of a technical nature, such as "know-how," formulae, secret processes or machines, inventions, and research projects, and matters of a business nature, such as information about costs, profits, markets, sales, lists of customers, and any other information of a similar nature, also including plans for further development. Except as authorized by Company in writing, Executive shall hold all such confidential information in trust and confidence for Company, and agrees not to disclose them to anyone outside of Company, either during or after service with Company. This commitment shall impose no obligation upon Executive with respect to any portion of the confidential information which (i) is now or hereafter, through no act or failure to act on his part, becomes generally known or publicly available, (ii) is hereafter furnished to Executive by a third party as matter of right and without restriction on disclosure, or (iii) is furnished to others by Company without restriction on disclosure. Executive further agrees to deliver promptly to Company on termination of employment with Company, or at any time it may so request all memoranda, notes, records, reports, manuals, drawings, blueprints, and any other documents containing any confidential information as defined above, including all copies of such materials which Executive may then possess or have under his control. The rights and obligations set forth in this Section 11 shall survive according to the terms hereof and continue after any expiration or termination of this Agreement or the service specified herein. In the event of a breach or threatened breach by Executive of the provisions of this Section 11, Company shall be entitled to an injunction restraining Executive from disclosing, in whole or in part, any of such confidential information, or from rendering any services to any person, firm, corporation, association, or other entity to whom such confidential information, in whole or in part, has been disclosed or is threatened to be disclosed.

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12. Inventions, Patents, Copyrights and Proprietary Information

Executive agrees that all inventions, works of authorship, trade secrets, and proprietary information (including new contributions, improvements, ideas, or discoveries), patentable or unpatentable, copyrightable or uncopyrightable, conceived, made or first actually reduced to practice by him solely or jointly with others during the period of his service with Company and which are either related in any manner to the business (commercial or experimental) of Company or of any of its subsidiaries, including product, service, research and development fields in which Company or any of its subsidiaries has been or is engaged or plans to engage, or to Executive's employment activities, or are conceived, made or first reduced to practice in whole or in part on Company time or with the use of Company facilities or materials (except any invention which qualifies fully for exemption under Section 2870 of the California Labor Code) shall belong to Company; provided

that works of authorship concerning Executive or the electronics industry, and any copyrights thereon, shall belong to Executive and Executive shall seek authorization in writing pursuant to Section 11 for disclosure of any confidential information contained therein. Executive further agrees that he will:

(a) Promptly disclose such inventions, works of authorship, trade secrets and proprietary information to Company;

(b) Notify Company of any invention which he claims qualifies for exemption under Section 2870 of the California Labor Code and offer to disclose such inventions to Company in confidence;

(c) Assign to Company, at its request and without additional compensation, the entire rights to the inventions for the United States and all foreign countries;

(d) Sign all papers within the truth, necessary to carry out the above; and

(e) Give testimony (but without expense to Executive) in support of his inventorship, idea or trade secret, or as otherwise reasonably deemed necessary by counsel to Company.

Executive agrees to accept the compensation provided by this Agreement as his sole compensation for the use, lease, sale or other transfer by Company of any such inventions, works of authorship, trade secrets and proprietary information or of any such patents obtained by it in such inventions, works of authorship, trade secrets or proprietary information.

To the best of Executive's knowledge, there is no other contract to assign inventions, works of authorship, patents, trade secrets, or other proprietary information that is now in existence between him and any other person, corporation or partnership, unless Executive has so indicated below, and unless a copy of any such other contract is attached hereto.

13. Termination by Company

(a) Company shall have the right to terminate Executive's service hereunder under the following circumstances:

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(i) Upon ten (10) days' written notice from Company to Executive in the event of disability which has incapacitated him from performing his duties for twelve (12) consecutive months as determined under Section 9, subject to Executive's right to reinstatement as provided in Section 9, provided that any such determination after Executive reaches age 65 shall not prejudice any rights or benefits to which he would have been entitled had he voluntarily retired as of such date under this Agreement.

(ii) For good cause upon ten (10) days' written notice from Company. Termination by Company of Executive's service for "good cause" as used in this Agreement shall mean (A) that the Board of Directors has found that Executive has committed a material act of theft, misappropriation, or conversion of corporate funds, or (B) a termination of Executive's employment during the Initial Term (other than in contemplation of, in connection with or following a Change in Control (as defined in Section 8 hereof)) as a result of Executive's demonstrably willful, deliberate and continued failure to follow reasonable directives of the Board of Directors (other than for any such failure resulting from Executive's incapacity due to physical or mental illness or any such actual or anticipated failure in connection with a resignation by Executive pursuant to Section 14 hereof) within Executive's ability to perform, which failure has had a material adverse effect on Company. For purposes of the previous sentence, no act or failure to act by Executive shall be deemed "willful" unless done, or omitted to be done, by Executive in bad faith and without reasonable belief that his action or omission was in the best interest of Company. Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for good cause under clause (B) above unless and until: (1) there shall have been delivered to Executive a copy of a resolution duly adopted by the Board of Directors in good faith at a meeting of the Board of Directors called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with his counsel, to be heard before the Board of Directors), finding that Executive was guilty of conduct set forth above in clause (B) and specifying the particulars thereof in reasonable detail, and (2) Executive shall have been provided the opportunity to correct the performance at issue within 20 business days after his receipt of the resolution; and (3) if Executive contests such finding (or a conclusion that he has failed to timely cure the performance in response thereto), the arbitrators by final determination in an arbitration proceeding pursuant to Section 27 hereof have concluded that Executive's conduct met the standard for termination for "good cause" above and that the Board of Directors' conduct met the standards of good faith and satisfied the procedural and substantive conditions of this Section 13.

(iii) Upon ninety-five (95) days' written notice to Executive where the Board by majority vote, elects to terminate Executive for any reason, other than the reasons referred to in subparagraphs (i) or (ii) above.

(b) Except as provided in the following sentences of this clause (b) and clauses (c) and (d), as used in this Agreement "Date of Termination"

shall mean the date specified in the written notice of termination given by Company pursuant to Section 13(a) (i), (ii) or (iii) hereof, or the effective date of a termination of services for any other reason. If Executive dies, the date of Executive's death shall be the Date of Termination. Further, if within sixty (60) days after any notice of termination is given, the party receiving such notice of termination

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notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date as finally determined by mutual written agreement of the parties or by a final and binding arbitration award. Any party giving notice of a dispute shall pursue the resolution of such dispute. During the period until the dispute is finally resolved in accordance with this Section 13(b), Company will continue to pay Executive his full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue Executive as a participant in all compensation, employee benefit, health and welfare and insurance plans, programs, arrangements and perquisites in which Executive was participating or to which he was entitled when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Section 13(b). Amounts paid under this Section 13(b) shall be repaid to Company or be offset against or reduce any other amounts due Executive under this Agreement, if appropriate, only upon the final resolution of the dispute.

(c) If Executive's service hereunder is terminated by reason of Executive's death or Disability pursuant to Section 13(a) (i) hereof, Executive or his Estate shall be entitled to receive 100% of his base salary (including adjustments) for the remainder of the Initial Term, the amounts provided under Section 10, his compensation under Sections 4(a), (b) and 4(d) hereof for the fiscal year in which the Date of Termination occurs and for the following fiscal year, and any Excess Bonus remaining unpaid as of the date the foregoing bonuses are paid. Company may purchase insurance to cover all or any part of its obligations set forth in the preceding sentence, and Executive agrees to take a physical examination to facilitate the obtaining of such insurance. In addition to the foregoing, the New Options and all Prior Options (collectively, the "Options") which otherwise would have vested within two years following the Date of Termination shall accelerate, vest and become exercisable on the Date of Termination. The New Options shall remain exercisable as provided in Section 5(c). In addition, Executive or his estate (or spouse or dependents, as applicable) shall be entitled to the benefits contemplated by Section 16(a) (i) and (iii).

(d) If Executive's service hereunder is terminated pursuant to Section 13(a) (ii) hereof, or by reason of Executive's voluntary termination other than pursuant to Section 14 hereof, Company shall be obligated to pay Executive only such severance compensation as the Board by majority vote deems appropriate, or none at all, and such other benefits and compensation as is expressly provided for under other provisions of this Agreement (including but not limited to Sections 4(b), 5(c), 5(e), 8, 16 and 17) and Company's ongoing obligations under Sections 3 and 4 shall cease (except as to any and all obligations that are either accrued or deferred or both). Any and all of Company's obligations under other sections of this Agreement shall continue. The New Option shall remain exercisable as provided in Section 5(c).

(e) If Executive's service hereunder is terminated pursuant to Section 13(a) (iii), the provisions of Sections 15 and 16 hereof shall apply.

(f) All Prior Options shall be and remain subject to the provisions of Section 5(e) hereof.

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14. Termination by Executive

Executive shall have the right to terminate his service under this Agreement upon 30 days' notice to Company given within 180 days following the date on which the Executive becomes aware of any of the following events:

(a) Executive is not elected or retained as Chairman and Chief Executive Officer and a director of Company at any time during the Initial Term or as Chairman and a director of Company at any time during the Extended Term;

(b) any assignment to Executive of any duties other than those reasonably contemplated by, or any limitation of the powers or prerogatives of Executive in any respect not reasonably contemplated by, Section 2 hereof;

(c) any removal of Executive from responsibilities substantially similar to those described or contemplated in Section 2 hereof (except pursuant to Section 13 (a) (ii) hereof);

(d) any reduction in, or limitation upon, the compensation, reimbursable expenses or other benefits provided in Sections 3 through 10, other than by valid public law or regulation;

(e) any assignment to Executive of duties that would require him to relocate or transfer his current principal place of residence in Southern California, or would make the continuance of such current principal place of residence unreasonably difficult or inconvenient for him; or

(f) a Change of Control of Company (as defined in Section 8 hereof); provided that in such event no advance notice shall be required.

15. Consequences of a Section 14 Termination by Executive, a Termination by Company for Certain Reasons or a Breach by Company

(a) If Executive's service hereunder is terminated by Executive pursuant to Section 14 hereof during the Initial Term or the Extended Term, or by Company pursuant to Section 13(a)(iii) hereof during the Initial Term or the Extended Term, or if Company shall otherwise terminate Executive's services under this Agreement (other than for good cause or because of death or disability) during the Initial Term or the Extended Term, the following shall apply:

(i) Executive shall continue to receive Executive's base salary (in effect in the fiscal year in which the Date of Termination occurs and as adjusted under Section 3) until the end of the Extended Term; provided, however, -----
that in the event of a Change of Control (as defined in Section 8 hereof), such base salary shall be payable for no less than three years following the Date of Termination. Company shall as soon as practicable but no later than 10 business days after the Date of Termination pay to Executive in a lump sum the full amount to which he is entitled under this Section 15(a)(i).

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(ii) Executive shall be entitled to receive the bonuses that would have been paid to Executive under Sections 4(a), (b) and 4(d) hereof for (x) the fiscal year in which such Date of Termination occurred, (y) the fiscal year following the fiscal year in which the Date of Termination occurred, and (z) any subsequent fiscal year to the extent that the carry-over provisions of Section 4(b) hereof are applicable, provided that no bonus shall be first accrued for any period following the last fiscal year in which the last day of the Extended Term occurs. Notwithstanding the foregoing, in the event of a Change of Control (as defined in Section 8 hereof), Company shall pay Executive immediately an amount equal to the average of the two highest bonuses paid (or payable) to Executive for the last five full fiscal years immediately prior to such Change of Control, plus any and all amounts that may be carried-over pursuant to Section 4(b) hereof, and shall pay Executive as soon as determinable the difference between any greater amount determined pursuant to the preceding sentence and such average amount previously paid. Except as provided with respect to a Change of Control, any bonuses otherwise payable pursuant to this Section 15(a)(ii) shall be paid to Executive (or his Estate) at the same time as such bonuses would have been paid to Executive if Executive's service hereunder had not been terminated. The bonus payable for the fiscal year following the fiscal year in which the Date of Termination occurs shall be calculated and paid as if Executive's service hereunder had not been terminated, notwithstanding any "in service", eligibility status or other requirements under the 1996 Executive Incentive Plan.

(iii) The vesting and exercisability of all New Options and all other options, stock appreciation rights, restricted stock or other stock-based awards granted by Company to Executive shall accelerate and all of them shall become fully vested and exercisable on the Date of Termination.

(iv) Any New Options that are exercisable without regard to this Section 15 shall remain exercisable as provided in Section 5(c), except that any New Options that become exercisable solely by reason of the provisions of Section 15(a)(iii) before September 12, 2001 shall remain exercisable for a period of only three years.

(v) In addition to all other amounts payable to Executive under this Section 15, the Executive shall be entitled to receive, not later than the 15th day following the Date of Termination, all benefits payable to him under any of Company's tax-qualified employee benefit plans and any other plan, program or arrangement relating to deferred compensation, retirement or other benefits including, without limitation, the Special Retirement Benefit and any profit sharing, 401(k), employee stock ownership plan, or any plan established as a supplement to any of the aforementioned plans or expressly provided by other provisions of this Agreement, whether now existing or hereafter established, with additional service and benefit credits (based on not less than the amount of salary and bonus Executive would have received under this Agreement had his services not terminated) for periods through the Extended Term.

(vi) Company shall also pay to Executive, not later than the 15th day following the Date of Termination, an amount equal to all unvested Company contributions credited to the Executive's account under any tax-qualified employee benefit plan maintained by Company as of the Date of Termination.

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(vii) Company shall also pay to Executive all legal fees and expenses incurred by the Executive (1) in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit

provided by this Agreement (Executive shall have no obligation to repay any such legal fees or expenses regardless of the outcome of any contest or dispute), or (2) in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder.

(viii) Company shall also pay to Executive, not later than the second day following the Date of Termination, a pro rata amount of his base salary under Section 3 hereof, in effect on the Date of Termination, for each day of vacation or sick leave which has accrued as of the Date of Termination, but which is unpaid as of such date, to which Executive is entitled under Company's vacation and sick leave policies.

(b) Upon a Change of Control, Company's obligation to pay the benefits described herein shall be absolute and unconditional, shall be paid as soon as practicable but not more than ten (10) business days thereafter or (if expressly provided herein) as earlier or later herein provided, and shall not be affected by any circumstances or any set-off, counter-claim, recoupment, defense or other right which Company or any of its subsidiaries may have or claim against Executive or anyone else.

16. Other Benefits Following Termination of Service

(a) If Executive's service is terminated by Company other than pursuant to Section 13(a)(ii), or terminated by Executive pursuant to Section 14 on or before the last day of the Extended Term, or if Executive completes the term of service contemplated by Section 2, or if Executive dies, retires from service as Chief Executive Officer or Chairman (or both) with the consent of the Board before age 65, or retires as Chief Executive Officer or Chairman (or both) after age 65, in addition to the benefits provided under Section 15 in the applicable circumstances, Executive shall also be entitled to the following benefits:

(i) Company shall provide at its expense for his lifetime, his spouse's lifetime and until his youngest child or other eligible dependent reaches age 21, health and welfare benefits, at least comparable to those benefits in effect on the date hereof or, if greater, immediately prior to the Date of Termination, including but not limited to medical, dental, disability, spouse and dependent care, and life insurance coverage. At Company's election, health benefits may be provided by reimbursing Executive or his spouse or child's guardian, as the case may be, for the cost of converting group policy to individual coverage, or for the cost of extended COBRA coverage. Company shall also pay to Executive or his spouse or child's guardian, as the case may be, an amount calculated to pay any income taxes due as a result of the payment by Company on Executive's behalf for such health benefits. Such tax payment shall be calculated to place Executive (and his spouse and dependents) in the same after-tax position as if no such income taxes had been imposed. Notwithstanding anything to the contrary in this Agreement, if Executive's service terminates after completion of thirty (30) years of service or

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Executive dies or is disabled, benefits pursuant to this Section 16(a)(i) shall continue as above provided in the case of a retirement, expiration or termination.

(ii) Company shall allow Executive the continued use of a Company automobile and security/driver on the same terms which existed on the date hereof or, if greater, immediately prior to the Date of Termination, until five (5) years after the expiration of the Extended Term.

(iii) Company shall provide Executive (or his surviving spouse) up to \$25,000 each year for expenses incurred by Executive (or surviving spouse) for estate, tax and financial planning, insurance (including annuity) products and benefits and related legal fees, until five years after the expiration of the Extended Term. Such amount shall cumulate as provided in Section 7(c) hereof and be paid at the conclusion of such period to the extent not used.

(iv) Company shall provide Executive with an office and secretarial services equivalent to those provided to Executive in his Southern California office on the date hereof or, if greater, immediately prior to the Date of Termination, until five years after the expiration of the Extended Term.

(v) Company shall provide continued access to and use of Company facilities and services comparable to those provided to him prior to his retirement as Chief Executive Officer, including access to Company aircraft, apartments, memberships, and clubs, on substantially the same basis as such facilities and services are now provided or are provided to him prior to his retirement as Chief Executive Officer, for business and for personal use, as the case may be, until five years after the expiration of the Extended Term; provided that in the case of Company aircraft, such access shall be subject to the approval of Company's chief executive

officer.

(b) Unless Executive's service is terminated by Company for good cause, for at least ten (10) years following the Date of Termination, Executive shall continue to be indemnified under Company's Certificate of Incorporation and Bylaws at least to the same extent as prior to the Date of Termination or any earlier Change of Control, whichever is greater, and Executive shall continue to be covered by the directors' and officers' liability insurance, the fiduciary liability insurance and the professional liability insurance policies that are the same as, or shall be provided coverage at least equivalent to, those Company carried prior to the Date of Termination or any earlier Change of Control, whichever is greater.

(c) If all or any portion of the amounts payable to Executive or his Estate under this Agreement or otherwise are subject to the excise tax imposed by Section 4999 of the Code (or similar state tax and/or assessment), Company shall pay to Executive an amount necessary to place Executive in the same after-tax position as Executive 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 additional amount shall initially be made by the independent accounting firm then employed by Company. If at a later date it is determined (pursuant to final regulations or published rulings of the IRS, final judgment of a court of

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competent jurisdiction or otherwise) that the amount of excise taxes payable by Executive is greater than the amount initially so determined, then Company (or its successor) shall pay Executive an amount equal to the sum of (1) such additional excise taxes, (2) any interest, fines and penalties resulting from such underpayment, plus (3) an amount necessary to reimburse Executive for any income, excise or other taxes payable by Executive with respect to the amounts specified in (1) and (2) above, including any income, excise or other taxes payable with respect to such amounts, and the reimbursement provided by this clause.

(d) Notwithstanding anything in this Section 16 to the contrary, Executive may elect in his sole discretion not to have any portion of any payment be paid or not to have the vesting of any Options accelerated in order to avoid any "excess parachute payment" under Section 280G(b)(1) of the Code.

17. Indemnification

In addition to the provisions of Section 16(b), in the event Executive is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal or administrative, by reason of the fact that Executive is or was a director or officer of Company or serves or served any other corporation fifty percent (50%) or more owned or controlled by Company in any capacity at Company's request, Executive shall be indemnified by Company, and Company shall pay Executive's related expenses when and as incurred, all to the full extent permitted by law.

18. Remedies

Company recognizes that because of Executive's special talents, stature and opportunities in the semiconductor industry, in the event of termination by Company hereunder (except under Section 13(a)(ii)), or in the event of termination by Executive under Section 14, before the end of the Extended Term, Company acknowledges and agrees that the provisions of this Agreement regarding further payment of base salary, bonuses, and the exercisability of Options and other benefits constitute fair and reasonable provisions for the consequences of such termination, do not constitute a penalty, and such payments and benefits shall not be limited or reduced by amounts Executive might earn or be able to earn from any other employment or ventures during the remainder of the Extended Term. Notwithstanding the foregoing, amounts paid or benefits provided under Section 16(a)(ii) through (v) shall be so limited or reduced. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise.

19. Binding Agreement

This Agreement shall be binding upon and inure to the benefit of Executive, his heirs, distributees and assigns, and Company, its successors and assigns. Except as contemplated by Section 5(b), Executive may not, without the express written permission of Company, assign or pledge any rights or obligations hereunder to any person, firm or corporation. If the Executive should die while any amount would still be payable to Executive if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with this Agreement to the Executive's Estate.

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20. No Attachment

Except as required by law or with the consent of Company or by laws of descent and distribution or permitted designation, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

21. Assignment

Company will require any successor (whether direct or indirect, by operation of law, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of Company) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession had taken place. Failure of Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall at Executive's election be deemed a material breach of this Agreement and shall entitle the Executive to compensation from Company in an amount equal to the greater of (A) the same amount on the same terms as the Executive would be entitled under Section 15 and Section 16 hereof upon a termination without good cause by Company, or (B) the benefits hereunder upon a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be the Date of Termination. As used in this Agreement, "Company" shall mean Company as defined above and, unless the context otherwise requires, any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

22. Waiver

No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

23. Notice

For the purposes of this Agreement and the Prior Employment Agreement, notices and all other communications provided for in this Agreement or the Prior Employment Agreement shall be in writing and shall be deemed to have been duly given when personally delivered and acknowledged or delivered by United States registered mail, return receipt requested, addressed to the Executive at 10659 Bellagio Road, Los Angeles, California 90077, with a copy to Diana L. Walker, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, California 90071-2899 in the case of Executive, and in the case of Company, to the attention of the Chairman of the Compensation Committee of the Board of Directors with copies to the Chief Financial Officer and the Secretary of Company at the principal executive offices of Company,

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or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

24. Governing Law

This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

25. Costs

Company shall pay all the expenses of Executive, including attorneys' fees, in the negotiation and preparation of this Agreement, in addition to Company's own expenses in connection therewith.

26. Severability

If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

27. Arbitration

(a) Any disagreement, dispute, controversy or claim arising out of or

in any way related to this Agreement or the subject matter hereof or the interpretation hereof or any arrangements relating hereto or contemplated herein or the breach, termination or invalidity hereof or the provision or failure to provide any other benefits upon a change of control pursuant to any other bonus or compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan or similar plan or agreement with 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, shall be settled exclusively and finally by arbitration. If this Section 27 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"). The arbitral tribunal shall consist of three arbitrators, one chosen by Company, one chosen by the Executive and one chosen by the preceding two persons.

(c) Company shall pay all of the fees, if any, and expenses of such arbitration, and shall also pay all Executive's expenses, including attorneys' fees, incurred in connection with the arbitration regardless of the final outcome of such arbitration.

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(d) The arbitration shall be conducted in Los Angeles if initiated by Company and in San Francisco if initiated by the Executive 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 held 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.

28. Entire Agreement

Except as otherwise specifically provided herein, as of the Effective Date, all previous agreements relating to the continuing employment of the Executive to the extent inconsistent herewith, including, but not limited to the Prior Employment Agreement and the MCA, are hereby superseded, and this Agreement embodies all agreements, contracts, and understandings by and between the parties hereto. Notwithstanding the foregoing, nothing contained in this Agreement shall adversely affect or limit any rights Executive may have or any benefits Executive may be entitled to receive under any other agreements, plans, programs or otherwise, including, without limitation, any pension, retirement, health, welfare or fringe benefit arrangements, the Restricted Stock Award Agreement dated August 5, 1994 between Company and Executive and any and all stock option, stock appreciation rights or restricted stock award agreements or other stock based benefits held by Executive. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

29. Survival

The terms of this Agreement shall survive a termination of Executive's services.

W. J. SANDERS III

ADVANCED MICRO DEVICES, INC.

/s/ W.J. Sanders III

By: /s/ Charles M. Blalack

CHARLES M. BLALACK
Chairman, Compensation
Committee

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ADVANCED MICRO DEVICES, INC.
2000 STOCK INCENTIVE PLAN

As adopted October 19, 2000

1. PURPOSE

The purpose of this Plan is to encourage key personnel and advisors whose long-term service is considered essential to the Company's continued progress, to remain in the service of the Company or its Affiliates. By means of the Plan, the Company also seeks to attract new key employees and advisors whose future services are necessary for the continued improvement of operations. The Company intends future increases in the value of securities granted under this Plan to form part of the compensation for services to be rendered by such persons in the future. It is intended that this purpose will be affected through the granting of Options.

2. DEFINITIONS

The terms defined in this Section 2 shall have the respective meanings set forth herein, unless the context otherwise requires.

(a) "Affiliate" The term "Affiliate" shall mean any corporation, partnership, joint venture or other entity in which the Company holds an equity, profits or voting interest of thirty percent (30%) or more.

(b) "Board" The term "Board" shall mean the Company's Board of Directors or its delegate as set forth in Section 3(d) below.

(c) "Change of Control" Unless otherwise defined in a Participant's employment agreement, the term "Change of Control" shall be deemed to mean any of the following events: (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 (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or any of its Affiliates) representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company's then outstanding voting securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (i) or (ii) of this sentence) whose appointment, election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (iii) there is consummated a merger or consolidation of the Company or subsidiary thereof with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 50% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or there is consummated the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 80% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale. Notwithstanding the foregoing (i) unless otherwise provided in a Participant's employment agreement, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately prior to such transaction or series of transactions and (ii) unless otherwise

provided in a Participant's employment agreement, "Change of Control" shall exclude the acquisition of securities representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company's then outstanding voting securities by the Company or 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.

(d) "Code" The term "Code" shall mean the Internal Revenue Code of 1986,

as amended to date and as it may be amended from time to time.

(e) "Company" The term "Company" shall mean Advanced Micro Devices, Inc., a Delaware corporation.

(f) "Constructive Termination" The term "Constructive Termination" shall mean a resignation by a Participant who has been elected by the Board as a corporate officer of the Company due to diminution or adverse change in the circumstances of such Participant's employment with the Company, as determined in good faith by the Participant; including, without limitation, reporting relationships, job description, duties, responsibilities, compensation, perquisites, office or location of employment. Constructive Termination shall be communicated by written notice to the Company, and such termination shall be deemed to occur on the date such notice is delivered to the Company.

(g) "Fair Market Value per Share" The term "Fair Market Value per Share" shall mean as of any day (i) the closing price for Shares on the New York Stock Exchange as reported in The Wall Street Journal on the day as of which such determination is being made or, if there was no sale of Shares reported in The Wall Street Journal on such day, on the most recently preceding day on which there was such a sale, or (ii) if the Shares are not listed or admitted to trading on the New York Stock Exchange on the day as of which the determination is made, the amount determined by the Board or its delegate to be the fair market value of a Share on such day.

(h) "Insider" The term "Insider" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

(i) "Option" The term "Option" shall mean a nonstatutory stock option granted under this Plan.

(j) "Participant" The term "Participant" shall mean any person who holds an Option granted under this Plan.

(k) "Plan" The term "Plan" shall mean this Advanced Micro Devices, Inc. 2000 Stock Incentive Plan, as amended from time to time.

(l) "Shares" The term "Shares" shall mean shares of Common Stock of the Company and any shares of stock or other securities received as a result of the adjustments provided for in Section 9 of this Plan.

3. ADMINISTRATION

(a) The Board, whose authority shall be plenary, shall administer the Plan and may delegate part or all of its administrative powers with respect to part or all of the Plan pursuant to Section 3(d).

(b) The Board or its delegate shall have the power, subject to and within the limits of the express provisions of the Plan:

(1) To grant Options pursuant to the Plan.

(2) To determine from time to time which of the eligible persons shall be granted Options under the Plan, the number of Shares for which each Option shall be granted, the term of each granted

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Option and the time or times during the term of each Option within which all or portions of each Option may be exercised (which at the discretion of the Board or its delegate may be accelerated.)

(3) To prescribe the terms and provisions of each Option granted (which need not be identical) and the form of written instrument that shall constitute the Option agreement.

(4) To take appropriate action to amend any Option hereunder, including to amend the vesting schedule of any outstanding Option, provided that no such action adverse to a Participant's interest may be taken by the Board or its delegate without the written consent of the affected Participant.

(5) To determine whether and under what circumstances an Option may be settled in cash or Shares.

(c) The Board or its delegate shall also have the power, subject to and within the limits of the express provisions of this Plan:

(1) To construe and interpret the Plan and Options granted under the Plan, and to establish, amend and revoke rules and regulations for administration of the Plan. The Board or its delegate, in the exercise of this power, shall generally determine all questions of policy and expediency that may arise and may correct any defect, omission or inconsistency in the Plan or in any Option agreement in a manner and to the

extent it shall deem necessary or expedient to make the Plan fully effective.

(2) Generally, to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

(d) The Board may, by resolution, delegate administration of the Plan (including, without limitation, the Board's powers under Sections 3(b) and (c) above), under either or both of the following:

(1) with respect to the participation of or granting of Options to an employee, consultant or advisor, to a committee of one or more members of the Board;

(2) with respect to matters other than the selection for participation in the Plan, substantive decisions concerning the timing, pricing, amount or other material term of an Option, to a committee of one or more members of the Board.

(e) The Board shall have complete discretion to determine the composition, structure, form, term and operations of any committee established to administer the Plan. If administration is delegated to a committee, unless the Board otherwise provides, the committee shall have, with respect to the administration of the Plan, all of the powers and discretion theretofore possessed by the Board and delegable to such committee, subject to any constraints which may be adopted by the Board from time to time and which are not inconsistent with the provisions of the Plan. The Board at any time may revert in the Board any of its administrative powers under the Plan.

(f) The determinations of the Board or its delegate shall be conclusive and binding on all persons having any interest in this Plan or in any awards granted hereunder.

4. SHARES SUBJECT TO PLAN

Subject to the provisions of Section 9 (relating to adjustments upon changes in capitalization), (i) the Shares which may be available for issuance of Options under the Plan shall not exceed in the aggregate 9,000,000 Shares of the Company's authorized Common Stock and (ii) the Shares which may be available for issuance of Options that are issued at below Fair Market Value per Share under the Plan shall not exceed in the aggregate 2,500,000 Shares of the Company's authorized Common Stock. In each case, the Shares of the Company's Common Stock may be unissued Shares or reacquired Shares or Shares bought on the market for the purposes of issuance under the Plan. If any Options granted under the Plan shall for any reason be forfeited or canceled, terminate or expire, the Shares

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subject to such Options shall be available again for the purposes of the Plan. Shares which are delivered or withheld from the Shares otherwise due on exercise of an Option shall become available for future awards under the Plan. Shares that have actually been issued under the Plan upon exercise of an Option that are no longer subject to forfeiture shall not in any event be returned to the Plan and shall not become available for future awards under the Plan.

5. ELIGIBILITY

All Options issued under the Plan shall be nonqualified stock options. Options may be granted only to full or part-time employees, officers, consultants and advisors of the Company and/or of any Affiliate; provided that

such consultants and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. Options awarded to Insiders may not exceed in the aggregate forty-five (45%) percent of all Shares that are available for grant under the Plan and employees of the Company who are not Insiders must receive at least fifty (50%) percent of all Shares that are available for grant under the Plan. Options that are issued to Insiders at below Fair Market Value per Share may not exceed in the aggregate forty-five percent (45%) of all Shares that are available to grant at below Fair Market Value per Share under the Plan and employees of the Company who are not Insiders must receive a least fifty percent (50%) of such Options. Any Participant may hold more than one Option at any time; provided that the maximum

number of shares which are subject to Options granted to any individual shall not exceed in the aggregate three million (3,000,000) Shares over the full ten-year life of the Plan.

6. TERMS OF STOCK OPTIONS

Each Option agreement shall be in such form and shall contain such terms and conditions as the Board, or its delegate, from time to time shall deem appropriate, subject to the following limitations:

(a) The term of any Option shall not be greater than ten (10) years and

one day from the date it was granted.

(b) Options may be granted at an exercise price that is not less than the par value per Share of the Shares at the time an Option is granted.

(c) Unless otherwise specified in the Option agreement, no Option shall be transferable otherwise than by will, pursuant to the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

(d) Except as otherwise provided in paragraph (e) of this Section 6 or in a Participant's employment agreement, the rights of a Participant to exercise an Option shall be limited as follows:

(1) DEATH OR DISABILITY: If a Participant's service is terminated by death or disability, then the Participant or the Participant's estate, or such other person as may hold the Option, as the case may be, shall have the right for a period of twelve (12) months following the date of death or disability, or for such other period as the Board may fix, to exercise the Option to the extent the Participant was entitled to exercise such Option on the date of his death or disability, or to such extent as may otherwise be specified by the Board (which may so specify after the date of his death or disability but before expiration of the Option), provided the actual date of exercise is in no event after the expiration of the term of the Option. A Participant's estate shall mean his legal representative or any person who acquires the right to exercise an Option by reason of the Participant's death or disability.

(2) MISCONDUCT: If a Participant is determined by the Board to have committed an act of theft, embezzlement, fraud, dishonesty, a breach of fiduciary duty to the Company (or Affiliate), or deliberate disregard of the rules of the Company (or Affiliate), or if a Participant makes any unauthorized disclosure of any of the trade secrets or confidential information of the Company (or Affiliate), engages in any conduct which constitutes unfair competition with the Company (or Affiliate), induces any customer of the Company (or Affiliate) to break any contract with the Company (or Affiliate), or induces any principal

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for whom the Company (or Affiliate) acts as agent to terminate such agency relationship, then, unless otherwise provided in a Participant's employment agreement, neither the Participant, the Participant's estate nor such other person who may then hold the Option shall be entitled to exercise any Option with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Participant may receive payment from the Company (or Affiliate) for vacation pay, for services rendered prior to termination, for services rendered for the day on which termination occurs, for salary in lieu of notice, or for any other benefits. In making such determination, the Board shall give the Participant an opportunity to present to the Board evidence on his behalf. For the purpose of this paragraph, unless otherwise provided in a Participant's employment agreement, termination of service shall be deemed to occur on the date when the Company dispatches notice or advice to the Participant that his service is terminated.

(3) TERMINATION FOR OTHER REASONS: If a Participant's service is terminated for any reason other than those mentioned above under "DEATH OR DISABILITY" or "MISCONDUCT," the Participant, the Participant's estate, or such other person who may then hold the Option may, within three months following such termination, or within such longer period as the Board may fix, exercise the Option to the extent such Option was exercisable by the Participant on the date of termination of his employment or service, or to the extent otherwise specified by the Board (which may so specify after the date of the termination but before expiration of the Option) provided the date of exercise is in no event after the expiration of the term of the Option.

(4) EVENTS NOT DEEMED TERMINATIONS: Unless otherwise provided in a Participant's employment agreement, the service relationship shall not be considered interrupted in the case of (i) a Participant who intends to continue to provide services as a director, employee, consultant or advisor to the Company or an Affiliate; (ii) sick leave; (iii) military leave; (iv) any other leave of absence approved by the Board, provided such leave is

for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing; or (v) in the case of transfer between locations of the Company or between the Company or its Affiliates. In the case of any employee on an approved leave of absence, the Board may make such provisions respecting suspension of vesting of the Option while on leave from the employ of the Company or an Affiliate as it may deem appropriate, except that in no event shall an

Option be exercised after the expiration of the term set forth in the Option.

(e) Unless otherwise provided in a Participant's employment agreement, if any Participant's employment is terminated by the Company for any reason other than for Misconduct or, if applicable, by Constructive Termination, within one year after a Change of Control has occurred, then all Options held by such Participant shall become fully vested for exercise upon the date of termination, irrespective of the vesting provisions of the Participant's Option agreement. For purposes of this subsection (e), the term "Change of Control" shall have the meaning assigned by this Plan, unless a different meaning is defined in an individual Participant's Option agreement or employment agreement.

(f) Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Board or its delegate shall deem appropriate.

(g) The Board may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor; provided that any such action may not, without the written consent of a Participant, impair any such Participant's rights under any Option previously granted.

7. PAYMENT OF PURCHASE PRICE

(a) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Board or its delegate and may consist entirely of (i) cash, (ii) certified or cashier's check, (iii) promissory note, (iv) other Shares which (x) either have been owned by the Participant for

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more than six months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (y) have a Fair Market Value per Share on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (v) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price, or (vi) any combination of the foregoing methods of payment. Any promissory note shall be a full recourse promissory note having such terms as may be approved by the Board and bearing interest at a rate sufficient to avoid imputation of income under Sections 483, 1274 or 7872 of the Code; provided that

Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; provided further, that the portion of the exercise price equal to the par value, if any, of the Shares must be paid in cash;

(b) The Company may make loans or guarantee loans made by an appropriate financial institution to individual Participants, including Insiders, on such terms as may be approved by the Board for the purpose of financing the exercise of Options granted under the Plan and the payment of any taxes that may be due by reason of such exercise.

8. TAX WITHHOLDING

(a) Where, in the opinion of counsel to the Company, the Company has or will have an obligation to withhold federal, state or local taxes relating to the exercise of any Option, the Board may in its discretion require that such tax obligation be satisfied in a manner satisfactory to the Company. The Company may require the payment of such taxes before Shares are transferred to the holder of the Option.

(b) A Participant may elect (a "Withholding Election") to pay his minimum statutory withholding tax obligation by the withholding of Shares from the total number of Shares deliverable under such Option, or by delivering to the Company a sufficient number of previously acquired Shares, and may elect to have additional taxes paid by the delivery of previously acquired Shares, in each case in accordance with rules and procedures established by the Board. Previously owned Shares delivered in payment for such additional taxes must have been owned for at least six months prior to the delivery or must not have been acquired directly or indirectly from the Company and may be subject to such other conditions as the Board may require. The value of Shares withheld or delivered shall be the Fair Market Value per Share on the date the Option becomes taxable. All Withholding Elections are subject to the approval of the Board and must be made in compliance with rules and procedures established by the Board.

9. ADJUSTMENTS OF AND CHANGES IN CAPITALIZATION

If there is any change in the Common Stock of the Company by reason of any stock dividend, stock split, spin-off, split up, merger, consolidation,

recapitalization, reclassification, combination or exchange of Shares, or any other similar corporate event, then the Board shall make appropriate adjustments to the number of Shares theretofore appropriated or thereafter subject or which may become subject to an Option under the Plan. Outstanding Options shall also be automatically converted as to price and other terms if necessary to reflect the foregoing events. No right to purchase fractional Shares shall result from any adjustment in Options pursuant to this Section 9. In case of any such adjustment, the Shares subject to the Option shall be rounded down to the nearest whole Share. Notice of any adjustment shall be given by the Company to each holder of any Option which shall have been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

10. PRIVILEGES OF STOCK OWNERSHIP

No Participant will have any rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares.

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11. EXCHANGE AND BUYOUT OF AWARDS

The Board or its delegate may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Options in exchange for the surrender and cancellation of any or all outstanding Options to optionees who are not Insiders. The Board or its delegate may at any time buy from a Participant an Option previously granted with payment in cash, Shares or other consideration, based on such terms and conditions as the Board or its delegate and the Participant may agree.

12. EFFECTIVE DATE OF THE PLAN

This Plan will become effective when adopted by the Board (the "Effective Date").

13. AMENDMENT OF THE PLAN

(a) The Board at any time, and from time to time, may amend the Plan.

(b) Rights and obligations under any Option granted before any amendment of the Plan shall not be altered or impaired by amendment of the Plan, except with the consent of the person who holds the Option, which consent may be obtained in any manner that the Board or its delegate deems appropriate.

14. REGISTRATION, LISTING, QUALIFICATION, APPROVAL OF STOCK

An award under this Plan will not be effective unless such award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the Securities and Exchange Commission or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

15. NO RIGHT TO EMPLOYMENT

Nothing in this Plan or in any Option shall be deemed to confer on any employee any right to continue in the employ of the Company or any Affiliate or to limit the rights of the Company or its Affiliates, which are hereby expressly reserved, to discharge an employee at any time, with or without cause, or to adjust the compensation of any employee.

16. MISCELLANEOUS

The use of any masculine pronoun or similar term is intended to be without legal significance as to gender.

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AMD's
U.S. Stock Option
Program
For options granted
after April 25, 2000

AMD's success is a direct result of the creativity, innovation, and hard work of employees like you. In recognition of this, we maintain a portfolio of programs that enable you to share in our success:

- . Cash and deferred profit sharing plans, which entitle you to a share of AMD's profits.
- . The stock purchase plan, which enables you to buy AMD common stock at a discounted price and participate as an owner of the company.
- . The stock option program, under which you can benefit from AMD's long-term success as the company's common stock price grows.

WHO RECEIVES STOCK OPTIONS?

Congratulations on being selected to receive a stock option award. AMD limits the granting of stock options to those employees whose individual contributions most influence AMD's performance and add to shareholder value. The number of options you are granted reflects competitive compensation practices, your position at AMD, and, most importantly, your individual performance.

WHAT ARE STOCK OPTIONS?

Stock options give you the right to buy shares of AMD common stock at the "exercise price" within a specified number of years. You "exercise" your option by purchasing the underlying shares any time after you "vest" in the option (see How Your Stock Options Vest), but before the option expires.

The attractiveness of stock options lies in the potential for increases in the market price of the company's common stock over time. For example, if you are granted options to buy 100 shares of AMD stock at an exercise price of \$35 per share, and the market price of the stock rises to \$45, then your "unrealized" financial gain is \$10 per share (the difference between the exercise price and the current market price). To realize that gain, you first have to have the right to buy those 100 shares. If you do, you can buy the stock. You can then keep the shares for potential future gain, or sell them in the market at any time for the current market price. In this example, if you purchase shares and then sell them when the market price moved up to \$50, you would have a gain of \$15 per share (\$50 - \$35).

Enclosed with this brochure is your stock option document. It gives the date your option was granted, the price to purchase the shares, and the first and last dates you can purchase the shares.

HOW YOUR STOCK OPTIONS VEST

You earn the right to purchase shares according to the schedule for your grant ("vesting"). Each stock option grant has its own vesting period. The following table shows the typical schedule for an initial grant to a newly eligible employee or for an annual grant

Anniversary of Grant Date	Percent of Granted Options That Are Fully Vested	
	Initial Grant	Annual Grant
First*	40%	25%
Second	60%	50%
Third	80%	75%
Fourth	100%	100%

*After the first year, awards vest in monthly increments over the remaining time.

If you receive stock option grants in several years, their vesting periods will overlap. For example, the following chart illustrates the vesting for a hypothetical employee who receives an initial grant when he/she joins AMD and then annual grants thereafter based on varying performance ratings:

Calendar Year	# of Options Granted	Options Vesting in the Year				
		2	3	4	5	6

1	550	220	165	110	55	
2	580		145	145	145	145
3	0					
4	540				135	135
5	600					150
Total		220	310	255	335	430

The above vesting chart is based on continuous active service with AMD.

The stock option document for your grant shows the vesting dates for your options.

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IF YOU DIE OR BECOME DISABLED

If you have at least 15 years of AMD service and your AMD employment is terminated because of your death or total disability, here's what happens on your termination date:

- . If you are on an unpaid leave of absence, any options that would have become vested in the calendar year in which your leave began are immediately vested.
- . If you are not on an unpaid leave of absence, you become immediately vested in any options that would have become vested in that calendar year.

This accelerated vesting of options does not occur if your AMD employment is terminated because of your death or disability and you have less than 15 years of service.

IF AMD EXPERIENCES A "CHANGE IN CONTROL"

You become 100% vested in your outstanding options if AMD experiences a "change in control", and your employment is terminated by AMD for any reason other than for misconduct or, if applicable, by constructive termination within one year after such a change. A "change in control" occurs when:

- . More than 20% of AMD has been acquired by a single person or entity,
- . Certain changes in the majority of AMD's Board of Directors occur during a two-year period,
- . A merger or consolidation of the company with or into another company,
- . Stockholders of the company approve a plan of complete liquidation, or
- . There is a sale or disposition of all or substantially all the company's assets.

IF YOU TAKE A LEAVE OF ABSENCE

You may not exercise any options during an unpaid leave of absence. Also, if your unpaid leave of absence exceeds 30 consecutive days, the vesting dates for your unvested options are automatically extended by the number of days by which your unpaid leave exceeds 30 days. "Unpaid" means that AMD is not paying you a salary. Unpaid leaves include personal leaves as well as disability, medical, pregnancy and workers compensation leaves during which you are receiving disability or workers' compensation benefits through AMD's benefit plans or insurance. For more details, check with Treasury Services.

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EXERCISING YOUR STOCK OPTIONS

Once your options are vested, you can exercise them-- that is, you can purchase AMD common stock at the exercise price. You have a limited number of years from the date of grant to exercise the options and take advantage of any increase in the price of AMD stock above the exercise price. Most grants have a ten-year life. The document for your stock option grant discloses the date on which your options expire.

Your final opportunity to purchase your vested options is the last regular business day of AMD before their expiration date. If you are waiting until that last day, be sure that Treasury Services receives your completed Stock Option Exercise form before 5:00 p.m. Pacific time.

If you leave AMD before the expiration date for your options, you have a limited period of time after your termination date in which to exercise vested options. See the section When You Leave AMD.

Treasury Services must receive your completed Stock Option Exercise form in order for you to exercise your options and purchase shares, unless you are doing an E*TRADE OptionsLink sale. You are responsible for knowing which options can

be exercised and the expiration dates for your options. Detailed information regarding the number of shares exercisable can be obtained 24 hours a day/7 days a week via the following:

- . The internet at www.optionslink.com, or
- . The OptionsLink interactive voice response system at 1-(800) 838-0908.

Note: While you may look at your account information at any time through OptionsLink, if you conduct an electronic transaction on the internet, then E*Trade will act as your broker for that transaction and the net proceeds will be deposited into your OptionsLink account (see the E*Trade OptionsLink brochure for further details). If you wish to utilize a broker other than E*Trade, you will have to contact that broker directly outside of the OptionsLink system.

For more details on exercising your options, please refer to the summary entitled "Stock Option Exercise Procedures" which is available at <http://amdonline/treassvc>.

There are four ways to exercise vested AMD options that have not expired:

Cash Purchase

You can pay for the options yourself or arrange for your broker to pay for them. On the next business day after receipt of your completed Stock Option Exercise form, Treasury Services will notify you of the cost for the exercised options plus applicable Federal, State, Social Security and Medicare tax withholding. You must give Treasury Services a cashier's check or money order for the exercise cost plus taxes within two weeks from the exercise date. You may elect to receive either a stock certificate or have your shares electronically transferred to your brokerage account.

Financing through a Broker (also known as "Same Day Sale and Exercise")

You can contact any of AMD's designated brokers or you can do an electronic trade through E*Trade (refer to the E*Trade OptionsLink brochure).

If you elect a "same day exercise and sale," you may:

- . Sell all shares.
- . Sell enough shares to cover the cost of the exercise and associated required taxes. You will then receive the remaining shares from your exercise. This option may not be available through E*Trade.
- . Sell only the number of shares you decide on and receive the balance of the shares. If the shares sold do not cover all the costs of exercising the options and associated required taxes, you must pay the balance through a cashier's check or money order to Treasury Services on the next business day following your exercise date. This option may not be available through E*Trade.

Stock Swap Exercise

You can use AMD shares you have owned at least six months to pay for the exercise price of the options. To initiate a stock swap, you must complete and submit a Share Withholding/Delivery Election form in addition to a Stock Option Exercise form to Treasury Services. You may not pay the exercise price by requesting that Treasury Services withhold some of the shares resulting from the options being purchased.

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Stock Withholding Exercise

You can exercise options and pay the required tax withholding from the shares of AMD stock that you would otherwise receive through exercising your options. You receive the balance of the AMD shares obtained through the purchased options. To withhold shares to pay your taxes, you must send a completed Share Withholding/Delivery Election form and a Stock Option Exercise form to Treasury Services.

You may not pay the exercise price of your options by having Treasury Services withhold some of the shares that would otherwise be issued to you.

WHEN TO EXERCISE

It is entirely your decision when to exercise vested options, keeping in mind the expiration date for your options. (See the sections Exercising Stock Options and When You Leave AMD.)

The timing of an exercise and/or sale can have a large impact on any value you ultimately obtain from the option. In deciding when to exercise, you may wish to consult with your financial advisor, stockbroker, or reputable publications in

which stock market analysts voice their opinions about future potential stock values. It is also prudent to consult with a tax advisor to determine the impact of exercising stock options on your tax obligations.

On the date...	You Owe Federal Taxes on...						
-----	-----						
Your stock option grant is approved	No taxes are due.						
-----	-----						
You exercise your options and sell the shares of AMD stock at a later date.	The difference (gain) between the market value of the shares of AMD common stock on the exercise date, and the exercise price of the options upon purchasing the options. The gain is taxable as ordinary income and subject to mandatory withholding for federal income, FICA, Medicare and applicable state and local taxes. When you sell the shares of stock, you owe tax on the difference between the market value of the shares on the sale date and the market value of the shares on the option exercise date. Gains are taxed at the short-term or long-term capital gains rate based on how long you have held the shares. The holding period starts on the option exercise date. <table><thead><tr><th>Months Held</th><th>Capital Gains Rate</th></tr></thead><tbody><tr><td>12 or less</td><td>short-term</td></tr><tr><td>more than 12</td><td>long-term</td></tr></tbody></table>	Months Held	Capital Gains Rate	12 or less	short-term	more than 12	long-term
Months Held	Capital Gains Rate						
12 or less	short-term						
more than 12	long-term						
-----	-----						
You exercise your options and sell the shares on the same day.	The difference between the market value of the shares and the exercise price of the options. The gain is taxable as ordinary income and subject to mandatory withholding for federal income, FICA, Medicare and applicable state and local taxes.						

TAXES

Your stock options are what the IRS calls "nonqualified" options. The table above summarizes the current U.S. federal tax consequences associated with these options. Depending on your state of residence, you may also owe state and local taxes when you exercise your options or sell the shares obtained by exercising your options.

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WHEN YOU LEAVE AMD

You forfeit all unvested options when you leave AMD. If you are not a Vice President or Officer of AMD, you normally have three months from your termination date in which to exercise vested options that have not expired. For example, if March 14 is your final day as an AMD employee, your last day to purchase vested options is June 14 if it is a regular business day at AMD. If June 14 is not a regular business day, the final day to buy your options is the last regular AMD business day before June 14.

However, you (or your beneficiary) have 12 months from your termination date to exercise vested options:

- . If your termination is due to your total disability.
- . If you die while employed at AMD.
- . If you have been a Vice President or Officer of AMD for at least 90 days when you terminate.

If you are uncertain about the final day to purchase options, be sure to contact Treasury Services at least several days before the date on which you think that your right to exercise your options ends.

FORFEITING STOCK OPTIONS

Your stock options are forfeited under the earliest of these circumstances:

- . You do not exercise the options before their expiration date,
- . The options are not vested when you leave AMD,
- . You do not exercise your options within the period for exercising them after you leave AMD, or

. If you die while still an AMD employee and your beneficiary to whom the options were transferred does not exercise the options within 12 months after your death.

If you are terminated because of misconduct, AMD reserves the right to cancel all your options, whether vested or unvested.

NO REINSTATEMENT OF FORFEITED STOCK OPTIONS IF REHIRED BY AMD

If you have a break in service with AMD, your nonvested options are canceled and will not be reinstated, even if you are rehired the day after your break in service.

TRANSFER OF STOCK OPTIONS

Your stock options may be transferred only as follows:

- . By a court-issued qualified domestic relations order,
- . By your last will and testament, or
- . By the laws of descent and distribution if you left no valid will.

Stock options transferred by a qualified domestic relations order expire twelve months after the date of transfer.

Any other transfer or assignment of your stock options will not be accepted and gives AMD the right to terminate your options as of the date of the attempted transfer or assignment.

CHANGES IN CAPITALIZATION OF AMD

The Board of Directors will adjust the number of shares or the class of stock subject to your options if the outstanding number of AMD common stock changes as a result of changes in the capitalization of the company. These changes in capitalization include stock dividends, mergers, consolidations, re-capitalization, or split-up, combinations or exchange of shares.

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FOR MORE INFORMATION

This brochure summarizes some of the important features of the current AMD stock option program. For more details, consult the official plan documents, your individual stock option documents, and the stock option plan prospectus, all of which can be obtained from Treasury Services, 1 AMD Place, Sunnyvale, California. The mailing address is Treasury Services, P.O. Box 3453, MS 106, Sunnyvale, CA 94088.

In the case of any conflict between this brochure and the official plan documents, the official plan documents will govern. AMD reserves the right to amend or terminate the program in whole or in part, at any time and for any reason, with or without notice to participants.

Participation in the AMD stock option program does not confer on any participant any rights whatsoever with respect to continued employment with the company.

Benefits Department
One AMD Place
P.O. Box 3453, Mailstop 181
Sunnyvale, CA 94088
Rev. 6/00

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VICE PRESIDENT
INCENTIVE PROGRAM
Summary

Personal and Confidential

AMD [LOGO]

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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I. Purpose

The Vice President Incentive Program (VPIP) provides an incentive for AMD's Vice Presidents (Participants) to maximize both short-term financial performance against plan, as well as long-term revenue growth and Return on Equity (ROE). This summary presents an overview of the program. Further details about how the program is administered, including specific formulas for each component, can be obtained from Corporate Compensation.

II. Plan Overview

The VPIP consists of two plans (Plans):

- . The Short-Term Plan (STP) provides a bonus for achieving planned performance for the current fiscal year (Plan Year).
- . The Long-Term Plan (LTP) annually provides a bonus for sustained corporate performance over a three-fiscal-year period relative to external measures.

Within these Plans, Participants are rewarded for meeting or exceeding performance objectives as follows:

Table I

<TABLE>
<CAPTION>

Plan	Component	Measure(s)
<S> STP	<C> Corporate Performance	. Adjusted Operating Income vs. Plan . Economic Value Added (EVA) Improvement vs. Plan
	Division Performance	. Division Sales vs. Plan . Division Operating Profit vs. Plan
	Individual Performance	. Discretionary Individual & Division-Specific
Objectives	LTP	Relative Profitability . AMD ROE vs. S&P 500 ROE over 3 years Relative Sales Growth . AMD Sales Growth vs. WSTS Sales Growth (3 years)

</TABLE>

A separate communication outlining the assigned target percentages for each component of the Plans, and division assignments and financial goals for the STP, will be provided to Participants each year.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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III. Plan Funding

- . The VPIP is funded by a maximum of three percent of AMD's adjusted Operating Income (OI)/1/, for any given Plan Year. In the aggregate, if calculated bonuses exceed the 3 percent limit, each Participant's bonus

will be scaled back to conform.

- . Bonuses will not be paid for any Plan Year in which OI is less than or equal to \$0.
- . LTP bonuses generated but not paid due to the above funding limitations will be carried over for possible payout in future Plan years. (See provisions under section V.)

IV. Short Term Plan (STP)

The STP uses three different components to measure and reward the Participant's annual contributions: Corporate, Division and Individual.

The payout opportunity and weight of each component vary depending upon the Participant's role and the tier to which he/she is assigned by management. The weighting for Participants with Product Line or Manufacturing responsibility emphasizes Division Performance.

A. Corporate Performance Bonus (CPB)

The CPB is generated when specific levels of adjusted OI/1/ and EVA Improvement are achieved relative to the business plan. The OI portion has a weighting of 70%, while the EVA Improvement portion has a weighting of 30%. Target multipliers are derived as follows:

Table II

<TABLE>
<CAPTION>

		Performance Level		
		Threshold	Target (1.0 Multiplier)	2.0
Multiplier	<S> Operating Income	<C> 70% Weighting	<C> 25% Of Prior Year OI	<C> 100% Of Plan
	125% Of Plan			
Multiplier	Eva Improvement	30% Weighting	25% Of Plan	100% Of Plan
	125% Of Plan			

</TABLE>

/1/ Adjusted Operating Income (OI), referred to as "OI" throughout the plan document, is OI as reported in the GAAP profit and loss statement, adjusted for pre-tax income/loss from FASL.

AMD VICE PRESIDENT INCENTIVE PROGRAM

For example, if Actual OI equals planned OI for the year, the resulting OI multiplier would be 1.0. If Actual EVA Improvement equals 125% of planned EVA Improvement, the EVA Improvement multiplier would be 2.0.

The combined CPB Target Multiplier is calculated as follows:

$$(OI \text{ Multiplier} \times 70\%) + (EVA \text{ Multiplier} \times 30\%) = \text{Combined CPB Multiplier}$$

So, in our example, the Combined CPB Multiplier would be 1.3:

$$(1.0 \times 70\%) + (2.0 \times 30\%) = 1.3$$

Formulas generate target multipliers for actual performance falling outside of or between the parameters in Table II. While either multiplier can exceed two (2.0) individually, the maximum combined CPB multiplier, and thus the maximum CPB award, is two (2.0) times the CPB target amount.

The actual CPB is calculated as follows:

B. Division Performance Bonus (DPB)

The DPB, unless otherwise specified, depends on division Sales and Operating Profit (OP) performance against plan for the division(s) supported by the participant. Target multipliers are derived as follows:

Table III

<TABLE>
<CAPTION>

		Performance Level		
		Threshold	Target (1.0 Multiplier)	2.0
Multiplier				
<S>	<C>	<C>	<C>	<C>
-135%	Sales Success	Actual Sales ----- Planned Sales	80%	100%
6%	Profit Success/2/	Actual OP - Planned OP ----- Planned Sales	-3%	0%

</TABLE>

/2/ Operating Profit performance is related to Planned Sales to allow for a DPB payout if reasonable profits are maintained relative to the original sales plan, even though actual sales may have fluctuated.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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For example, if Actual Sales are equal to Planned Sales, the resulting Sales Success Multiplier is 1.0. If the difference between Actual OP and Planned OP as a percent of Planned Sales is 6%, the Profit Success multiplier is 2.0.

The Combined DPB Target Multiplier is calculated as follows:

$$\text{Sales Success Multiplier} \times \text{Profit Success Multiplier} = \text{Combined DPB Multiplier}$$

So, in our example, the Combined DPB Target Multiplier is 2.0:

$$(1.0 \times 2.0) = 2.0$$

We use Pretax OP from the Economic Profit and Loss statement to calculate actual and planned profit success. Planned Division Sales and Planned Division OP are the numbers approved by the Board of Directors as part of the business plan for the Plan Year.

Formulas generate target multipliers for actual performance falling outside of or between the parameters in Table III. The threshold performance level for both factors must be met in order for a bonus to be generated. While either multiplier can exceed two (2.0) individually, the maximum combined DPB multiplier, and thus the maximum DPB award, is two (2.0) times the DPB target amount.

Table IV displays combined DPB Multipliers resulting from various Sales Success and Profit Success Factors. Formulas are used to calculate values falling between those shown.

Table IV

Sample DPB Multipliers

<TABLE>
<CAPTION>

<S>	SALES SUCCESS %							
	*80	80	90	100	110	120	130	140
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PROFIT SUCCESS%								
*-3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-3	0.000	0.200	0.350	0.500	0.650	0.800	0.950	1.100
-1	0.000	0.333	0.583	0.833	1.083	1.333	1.583	1.833
0	0.000	0.400	0.700	1.000	1.300	1.600	1.900	2.000
1	0.000	0.467	0.817	1.167	1.517	1.867	2.000	2.000
3	0.000	0.600	1.050	1.500	1.950	2.000	2.000	2.000
5	0.000	0.733	1.283	1.834	2.000	2.000	2.000	2.000
7	0.000	0.867	1.517	2.000	2.000	2.000	2.000	2.000
9	0.000	1.000	1.750	2.000	2.000	2.000	2.000	2.000

</TABLE>

* Less than.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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The actual DPB is calculated as follows:

$$\text{Combined DPB Multiplier} \times \text{DPB Target \%} \times \text{Base Salary} = \text{DPB}$$

For Participants in a corporate role, a weighted average DPB multiplier is calculated using planned sales at the group level. Similarly, Participants assigned to multiple divisions or groups have a weighted average DPB multiplier.

C. Individual Performance Bonus (IPB)

Officers and Group Vice Presidents establish individual performance expectations for each Participant reporting to them. These expectations might include specific division goals such as product releases, financial targets and organizational development. The Officer/Group VP then assesses performance against these expectations and an IPB is recommended. The IPB target and maximum are 10 percent and 20 percent of base salary, respectively, for all Participants. However executive management may adjust the average target percent in any given Plan Year based on the performance of the Company.

Typical guidelines are outlined in Table V:

Table V

IPB Guidelines	
Performance Assessment	IPB Percentage Range
Exceptional	16 - 20%
Successful	8 - 16%
Most Goals Met	4 - 8%
Improvement Required	0%

D. STP Bonus Calculation

The total STP bonus is calculated as follows:

$$\text{STP Bonus} = \text{CPB} + \text{DPB} + \text{IPB}$$

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V. Long-Term Plan (LTP)

The LTP rewards sustained corporate performance for both ROE and sales growth relative to competitive measures over a rolling three-year period. The LTP has an annual target bonus of 30% of base salary and a maximum opportunity of 60% for all Participants, subject to proration provisions in Section VII. The model below illustrates the LTP cycles.

Long-Term Performance Plan Model

[GRAPH APPEARS HERE]

A. LTP Plan Components

Specifically, the LTP is comprised as follows:

- . ROE Component: compares AMD's three-year ROE against the three-year ROE for the S&P 500.
- . Sales Component: compares the difference between AMD's three-year sales growth and the three-year semiconductor industry sales growth, as published by Worldwide Semiconductor Trade Statistics (WSTS)/3/.

Target multipliers are derived as follows in Table VI:

/3/ Semiconductor industry data may be modified to be more representative of AMD's product offerings. For instance, the DRAM market segment may be excluded from the Total Semiconductor Sales data.

Table VI

<TABLE>
<CAPTION>

		Performance Level		
		Threshold	Target (1.0 Multiplier)	Maximum (2.0)
<S>	<C>	<C>	<C>	<C>
Roe Component	AMD ROE minus S&P 500 ROE (3-year)	-6%	0	6%
Sales Component	AMD Sales Growth % minus WSTS Sales Growth % (3-year)	-30%	0	20%

</TABLE>

For example, if AMD's 3-year ROE is 10% and the S&P ROE is 10%, a multiplier of 1.0 is generated for the ROE component. If AMD's 3-year Sales Growth is 30% and the WSTS Sales Growth is 10%, a multiplier of 2.0 is generated for the Sales component.

Then, the Combined LTP Target Multiplier is calculated:

$$\text{ROE Component Multiplier} \times \text{Sales Component Multiplier} = \text{Combined LTP Multiplier}$$

So, in our example, the Combined LTP Multiplier is 2.0:

$$(1.0 \times 2.0) = 2.0$$

The threshold performance level for both factors must be met in order

for an LTP bonus to be possible. Formulas generate multipliers for actual performance falling between the parameters on Table VI. The maximum multiplier when both factors are combined is two (2.0).

Table VII displays combined LTP Multipliers resulting from various ROE and Sales Growth performance levels. Formulas are used to calculate values falling between those shown.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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Table VII

Sample LTP Multipliers

<TABLE>
<CAPTION>

	AMD ROE less S&P 500 ROE (3-year)						
	-6	-4	-2	0	2	4	6
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AMD Sales Growth % less WSTS Sales Growth % (3-year)							
-30	0.000	0.000	0.000	0.000	0.000	0.000	0.000
-20	0.000	0.111	0.222	0.333	0.445	0.556	0.667
-10	0.000	0.222	0.444	0.667	0.889	1.111	1.334
0	0.000	0.333	0.667	1.000	1.333	1.667	2.000
10	0.000	0.500	1.000	1.500	2.000	2.000	2.000
20	0.000	0.666	1.333	2.000	2.000	2.000	2.000

</TABLE>

B. LTP Bonus Calculation

The LTP bonus is calculated as follows:

$$\text{Combined LTP Multiplier} \times \text{LTP Target (30\%)} \times \text{Base Salary} = \text{LTP}$$

C. LTP Carry-Over Provision

In the event an LTP bonus is calculated but all or a portion is not paid due to the OI funding limitations (see Section III), that amount will be carried over for up to three following Plan Years. Carry-over bonus amounts will be paid at the earliest possible payout date (on a first in, first out basis) during the three-year carryover period, subject to the three percent maximum payout cap and other eligibility provisions. Any amount carried over but not payable during the three-year carry-over period reverts to zero.

The Vice President must be an active Plan participant in the year a carry-over amount is applied in order to be eligible to receive it.

VI. Timing of Payouts

Bonuses are paid out by the end of the first quarter following the close of a Plan Year.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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VII. Eligibility For Participation And Receipt Of Bonuses

- A. Unless otherwise determined by the CEO, all non-Sales Vice Presidents are Participants in the VPIP. This includes Sr. Vice Presidents and Group Vice Presidents.
- B. To be eligible to receive any bonus under the VPIP, a Participant must be employed by AMD at the time of payout of the bonus.
- C. To be eligible to receive an STP bonus of any amount, a Participant

must have been actively employed in the VPIP for at least some portion of the Plan Year. A Participant who is actively employed for less than an entire Plan Year (i.e., became a participant mid-year or was on an unpaid leave), and who is otherwise eligible to receive an STP bonus for that Plan Year, will receive an STP bonus, prorated according to the number of months of active employment in the 12-month STP Plan Year. For purposes of this provision, a full month's credit will be given where the Participant was actively employed in the VPIP for at least 15 days of a partial month.

- D. To be eligible to receive an LTP bonus of any amount, a Participant must have been actively employed in the VPIP for at least 12 months. A Participant who is actively employed for less than an entire three-year LTP bonus period (i.e., became a Participant at some time during the period, or was on an unpaid leave), and who is otherwise eligible to receive an LTP bonus, will receive an LTP bonus, prorated according to the number of months of active employment out of the 36-month LTP bonus period. For purposes of this provision, a full month's credit will be given where the Participant was actively employed for at least 15 days of a partial month.
- E. If a Participant dies during the Plan period, any VPIP bonus will be paid in full so long as the Participant was on active status for at least 6 months of the Plan Year. If active for less than 6 months, any award generated at the end of the year will be prorated as above. Bonus payments will be made to the designated recipient of the Participant's final paycheck.

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AMD VICE PRESIDENT INCENTIVE PROGRAM

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- F. Payment to a Participant of any calculated bonus for which the Participant is otherwise eligible is contingent upon that Participant's sustained satisfactory performance during the Plan period for which the bonus was calculated, as determined by the Participant's immediate superior.
- G. No Participant has any earned or vested entitlement to any bonus(es) under the VPIP. Any and all bonus payments are made at the sole discretion of the Chief Executive Officer.
- H. AMD reserves the right to retroactively or prospectively modify or terminate the VPIP, in whole or in part, and AMD reserves the right to deny the participation of, or payout of a bonus to, a Participant, at its sole discretion, with or without notice or cause.

VIII. Other Important Plan Provisions

- A. Base Salary is defined as the Participant's annualized base pay rate at the end of the Plan Year. For the LTP bonus, the annualized base pay rate at the end of Plan Year three will be the basis for bonus determination.
- B. Operating Income, for Plan purposes, is adjusted for pre-tax income/loss from FASL. This is otherwise referred to as Operating Profit on the Non-GAAP profit and loss statement.
- C. Because Year 3 LTP bonus calculations may be based on the closest WSTS and/or S&P 500 estimate at the time of payout, adjustments (positive or negative) may be made as soon as possible following availability of actual data.
- D. No allowance will be made for factors beyond the control of Participants that either adversely or favorably affect the Company's performance.

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AMD's
 Stock Option Program
 for Employees
 Outside the U.S.
 For options granted
 after April 25, 2000

Congratulations on being selected to receive a stock option award. AMD's success is a direct result of the creativity, innovation, and hard work of employees like you. In recognition of this, we maintain a stock option program, under which you can benefit from AMD's long-term success as the company's common stock price grows.

AMD limits the granting of stock options to those employees whose individual contributions most influence AMD's performance and add to shareholder value. The number of options you are granted reflects competitive compensation practices, your position at AMD, and, most importantly, your individual performance.

WHAT ARE STOCK OPTIONS?

Stock options give you the right to buy shares of AMD common stock at the "exercise price" within a specified number of years. You "exercise" your option by purchasing the underlying shares any time after you "vest" in the option (see How Your Stock Options Vest), but before the option expires.

The attractiveness of stock options lies in the potential for increases in the market price of the company's common stock over time. For example, if you are granted options to buy 100 shares of AMD stock at an exercise price of \$35 per share, and the market price of the stock rises to \$45, then your "unrealized" financial gain is \$10 per share (the difference between the exercise price and the current market price). To realize that gain, you first have to be vested in those 100 options. If you are, you can exercise your options by buying the stock. You can then hold the shares for potential future gain, or sell them in the market at any time for the current market price. In this example, if you exercise your options and sell the purchased shares when the market price moved up to \$50, you would realize a gain of \$15 per share (\$50 - \$35).

Enclosed with this brochure is your stock option document. It gives the grant date, exercise price, and the vesting and expiration dates for your options.

HOW YOUR STOCK OPTIONS VEST

You earn the right to exercise your stock options according to the vesting schedule for your grant. Each stock option grant has its own vesting period. The stock option document for your grant shows the vesting dates for your options.

The following table shows the typical vesting schedules. An initial grant is the first grant to an eligible employee and an annual grant is a grant that can be awarded each year subsequent to an initial grant.

Anniversary of Grant Date	Percent of Granted Options That Are Fully Vested	
	Initial Grant	Annual Grant
First*	40%	25%
Second	+20% = 60%	+25% = 50%
Third	+20% = 80%	+25% = 75%
Fourth	+20% = 100%	+25% = 100%

*After the first year, awards vest in monthly increments over the remaining time.

If you receive stock option grants in several years, their vesting periods will overlap. For example, the following chart illustrates the vesting for a hypothetical employee who receives an initial grant when he/she joins AMD and then annual grants thereafter based on varying performance ratings:

Calendar Year	# of Options Granted	Options Vesting in Calendar Year				
		2	3	4	5	6
1	150	60	30	30	30	
2	100		25	25	25	25
3	160			40	40	40
4	200				50	50
5	220					55
Total		60	55	95	145	170

The above vesting chart is based on continuous active service with AMD.

IF YOU DIE OR BECOME DISABLED

If you have at least 15 years of AMD service and your AMD employment is terminated because of your death or total disability, here's what happens on your termination date:

- . If you are on an unpaid leave of absence, any options that would have become vested in the calendar year in which your leave began are immediately vested.
- . If you are not on an unpaid leave of absence, you become immediately vested in any options that would have become vested in that calendar year.

This accelerated vesting of options does not occur if your AMD employment is terminated because of your death or disability and you have less than 15 years of service.

IF AMD EXPERIENCES A "CHANGE IN CONTROL"

You become 100% vested in your outstanding options if AMD experiences a "change in control," and your employment is terminated by AMD for any reason other than for misconduct or, if applicable, by constructive termination within one year after such a change. A "change in control" occurs when:

- . More than 20% of AMD has been acquired by a single person or entity,
- . Certain changes in the majority of AMD's Board of Directors occur during a two-year period,
- . A merger or consolidation of the company with or into another company,
- . Stockholders of the company approve a plan of complete liquidation, or
- . There is a sale or disposition of all or substantially all the company's assets.

IF YOU TAKE A LEAVE OF ABSENCE

You may not exercise any options during an unpaid leave of absence. Also, if your unpaid leave of absence exceeds 30 consecutive days, the vesting dates for your unvested options are automatically extended by the number of days by which your unpaid leave exceeds 30 days. "Unpaid" means that AMD is not paying you a salary. For more details, check with Treasury Services.

EXERCISING YOUR STOCK OPTIONS

Once your options are vested, you can exercise them-- that is, you can purchase AMD common stock at the exercise price. You have a limited number of years from the date of grant to exercise the options and take advantage of any increase in the price of AMD stock above the exercise price. Most grants have a ten-year life. The document for your stock option grant discloses the date on which your options expire.

Your final opportunity to purchase your vested options is the last regular business day of AMD before their expiration date. If you are waiting until that last day, be sure that Treasury Services receives your completed Stock Option Exercise form before 5:00 p.m. local time in Sunnyvale, California.

If you leave AMD before the expiration date for your options, you have a limited period of time after your termination date in which to exercise vested options. See the section When You Leave AMD.

Treasury Services must receive your completed Stock Option Exercise form in order for you to purchase your options. You should review your annual stock option statement before exercising your vested options. (See the section Annual Statements.) You are responsible for knowing which options can be exercised and the expiration dates for your options.

The following describes the different ways to purchase vested AMD options that have not expired. However, some countries have currency exchange restrictions. You should check if local laws restrict or prohibit your ability to purchase your options with cash.

Cash Purchase

You can pay for the options yourself or arrange for your broker to pay for them. On the next business day after receipt of your completed Stock Option Exercise form, Treasury Services will notify you of the cost for the exercised options. Within two weeks following the exercise date, Treasury Services must receive from you either a certified check or bank wire for the exercise cost in U.S. dollars. A stock certificate is issued to you usually within three weeks after your payment is received by Treasury Services.

Financing through a Broker (also known as "Same Day Exercise and Sale")

You can contact one of AMD's designated brokers to buy shares of AMD stock at the exercise price and sell them at market price on the same day. You must submit a completed Stock Option Exercise form to Treasury Services on the same day that you contact the broker.

If you elect a "same day exercise and sale," you may:

- . Sell all of the shares from the exercised options. You will receive a check from the sale of the shares minus the cost of the exercised options and the broker's fee.
- . Sell enough of the shares acquired through the exercise of the options (at the market price) to cover the cost of exercising those options and the broker's fee. You then receive the balance of the AMD shares obtained through exercising the options.
- . Sell only the number of shares you decide on and receive the balance of the shares. If the shares sold do not cover all the costs of exercising the options, you must pay the balance through sending a certified check or bank wire to Treasury Services on the next business day following the exercise date.

You also can finance your option exercise through the broker and hold the acquired shares for a later sale. The shares will be registered to and sent to the broker.

Stock Swap Exercise

You can use AMD shares you have owned at least six months to pay for the exercise price of the options. To initiate a stock swap, you must complete and submit a Share Withholding/Delivery Election form in addition to a Stock Option Exercise form to Treasury Services. You may not pay the exercise price by requesting that Treasury Services withhold some of the shares resulting from the options being purchased.

WHEN TO EXERCISE

It is entirely your decision when to exercise vested options, keeping in mind the expiration date for your options. (See the sections Exercising Stock Options and When You Leave AMD.)

The timing of an exercise and/or sale can have a large impact on any value you ultimately obtain from the option. In deciding when to exercise, you may wish to consult with your financial advisor, stockbroker, or reputable publications in which stock market analysts voice their opinions about future potential stock values. It is also prudent to consult with a tax advisor to determine the impact of exercising stock options on your tax obligations. In some countries (for example, the United Kingdom), favorable tax treatment may apply if you hold tax-qualified stock options for a certain period after the date of grant or the date on which you last exercised options.

TAXES

AMD is required by law to report all stock option transactions to both the U.S. and foreign tax authorities. Tax regulations on stock options and selling shares of a foreign company can be complex. In most countries, you owe no taxes when your stock option grant is approved. However, you may be liable for taxes on the gain you receive upon exercising your options. (The "gain" is the difference between the market value of the shares of AMD common stock on your exercise date and the exercise price of your options.) In certain countries you may owe taxes when you become vested in your options, even if you do not purchase them. In addition, when you sell your shares of AMD stock, any profit that you receive (the difference between the sale price and the market price on your exercise date) is subject to your country's tax requirements. We recommend that you consult with a tax advisor to determine your potential tax obligations.

Withholding tax requirements vary by country. You are responsible for notifying your local office when you exercise your options. Your local office will advise if tax withholding is required and how you can satisfy this requirement.

QUALIFIED OR NON-QUALIFIED STOCK OPTIONS

Unless you are an employee in the U.K., your stock options are "non-qualified" options. Most stock options for U.K. employees are granted from a qualified stock option scheme. However, some U.K. employees have received or will receive non-qualified stock options either because the market value of all their outstanding stock options exceed the aggregate value allowed under a qualified scheme, or because the grants are/were made from a non-qualified scheme or were repriced. Contact Treasury Services if you are unsure whether you hold qualified or non-qualified U.K. stock options.

WHEN YOU LEAVE AMD

You forfeit all unvested options when you leave AMD. You normally have three months from your termination date in which to exercise vested options that have not expired. For example, if March 14 is your final day as an AMD employee, your last day to purchase vested options is June 14 if it is a regular business day at AMD. If June 14 is not a regular business day, the final day to buy your options is the last regular AMD business day before June 14.

However, you have 12 months from your termination date to exercise vested options if your termination is due to your total disability. Similarly, if you die while employed at AMD, your beneficiary, or your estate if you have not designated a beneficiary, has 12 months from the date of your death in which to exercise your vested options.

If you are uncertain about the final day to purchase options, be sure to contact Treasury Services at least several weeks before the date on which you think that your right to exercise your options ends.

FORFEITING STOCK OPTIONS

Your stock options are forfeited under the earliest of these circumstances:

- . You do not exercise the options before their expiration date,
- . You are not vested to them when you leave AMD,
- . You do not exercise your options within the period for exercising them after you leave AMD, or
- . If you die while still an AMD employee and your beneficiary to whom the options were transferred does not exercise the options within 12 months after your death.

If you are terminated because of misconduct, AMD reserves the right to cancel all your options, whether vested or unvested.

NO REINSTATEMENT OF FORFEITED STOCK OPTIONS IF REHIRED BY AMD

If you have a break in service with AMD, your non-vested options are canceled and will not be reinstated, even if you are rehired the day after your break in service.

ANNUAL STATEMENTS

Each year, you will receive from Treasury Services a statement detailing the status of your stock options. This statement includes the number of options you have been granted to date, their exercise prices, and their vesting and expiration dates. Your statement also lists the transactions on options that you have exercised.

Also enclosed with your statement are the forms that you must complete and return to Treasury Services if you wish to purchase your options.

TREASURY SERVICES DEPARTMENT

Treasury Services is located at AMD's Sunnyvale, California office. The staff can be contacted as follows:

Phone: 010-408-749-3790
Fax: 010-408-749-3106

Treasury Services' normal hours are between 8:00 a.m. to 5:00 p.m. U.S. Pacific time during AMD's regular business day.

TRANSFER OF STOCK OPTIONS

Your stock options may be transferred only as follows:

- . By a court-issued qualified domestic relations order,
- . By your last will and testament, or
- . By the laws of descent and distribution if you left no valid will.

Stock options transferred by a qualified domestic relations order expire twelve months after the date of transfer.

Any other transfer or assignment of your stock options will not be accepted and gives AMD the right to terminate your options as of the date of the attempted transfer or assignment.

CHANGES IN CAPITALIZATION OF AMD

The Board of Directors will adjust the number of shares or the class of stock subject to your options if the out-standing number of AMD common stock changes as a result of changes in the capitalization of the company. These changes in

capitalization include stock dividends, mergers, consolidations, re-capitalization, or split-up, combinations or exchange of shares.

FOR MORE INFORMATION

This brochure summarizes some of the important features of the current AMD stock option program. For more details, consult the official plan documents, your individual stock option documents, and the stock option plan prospectus, all of which can be obtained from Treasury Services, 1 AMD Place, Sunnyvale, California. The mailing address is Treasury Services, P.O. Box 3453, MS 106, Sunnyvale, CA 94088, U.S.A.

In the case of any conflict between this brochure and the official plan documents, the official plan documents will govern. AMD reserves the right to amend or terminate the program in whole or in part, at any time and for any reason, with or without notice to participants.

Participation in the AMD stock option program does not confer on any participant any rights whatsoever with respect to continued employment with the company.

[AMD LOGO]
Benefits Department
One AMD Place
P.O. Box 3453, Mailstop 181
Sunnyvale, CA 94088

AMENDMENT AGREEMENT NO. 3

February 20, 2001

by and between

AMD SAXONY MANUFACTURING GMBH

and

AMD SAXONY HOLDING GMBH

and

DRESDNER BANK AG

and

the Other
BANKS and FINANCIAL INSTITUTIONS
named herein

and

DRESDNER BANK LUXEMBOURG S.A.

TO THE

SYNDICATED LOAN AGREEMENT

dated

11 March 1997 (As Amended)

AND OTHER OPERATIVE DOCUMENTS

Baker & McKenzie/Doser Amereller Noack

Frankfurt

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*** 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.

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AMENDMENT AGREEMENT TO THE SYNCIDATED LOAN AGREEMENT

DATED 11 MARCH 1997 (AS AMENDED)

by and between

1. AMD SAXONY MANUFACTURING GMBH, Dresden, registered in the Commercial Register of the Dresden Amtsgericht [Local Court] HRB 13186,

- hereinafter referred to as "AMD Saxonia" -
 2. AMD SAXONY HOLDING GMBH, Dresden, registered in the Commercial Register of the Dresden Amtsgericht HRB 13931

- hereinafter referred to as "AMD Holding" -
 3. DRESDNER BANK AG,

- hereinafter referred to as "Security Agent" -
 4. the other Banks and Financial Institutions named on the signature pages herein

- the parties referred to at 3 and 4 hereinafter each referred to as a "Bank" or together as the "Banks", as the case may be -
- and
5. DRESDNER BANK LUXEMBOURG S.A.

- hereinafter referred to as "Agent"

or "Paying Agent", as the case may be -

PREAMBLE

1. On 11 March 1997, AMD Saxonia, Dresdner Bank AG (in its capacity as Agent and Security Agent), the Banks and Dresdner Bank Luxembourg S.A. (in its capacity as Paying Agent) entered into a Syndicated Loan Agreement with respect to loan facilities totalling DM 1,650,000,000 for the purpose of co-financing the Project Costs defined therein. On 1 July 1997, Dresdner Bank AG assigned its rights and duties from its role as Agent to Dresdner Bank Luxembourg S.A. pursuant to (S) 22.11 of the Syndicated Loan Agreement.

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2. In view of substantial technological changes and the increased financing requirements resulting therefrom, the financing obligations of AMD Holding and of AMD Inc. agreed in connection with the Syndicated Loan Agreement as well as other provisions of the Syndicated Loan Agreement and of the related documentation were changed and supplemented on 6 February 1998 within the framework of Supplemental Agreements to the Syndicated Loan Agreement and the Operative Documents referred to therein.

3. As a result of changes in the AMD Inc. Senior Secured Note Indenture, the Syndicated Loan Agreement as well as the Sponsors' Support Agreement and the Sponsors' Loan Agreement as amended on 6 February 1998 were again changed and supplemented on 29 June 1999.
4. In view of the development that has meanwhile occurred in the microprocessor production area and the further technical development of the manufacturing processes, additional investments are required which exceed the scope envisaged so far in the Syndicated Loan Agreement.
5. The parties hereto agreed, inter alia, on the following changes in accordance with the terms of this Amendment Agreement. Facility B provided for in the Syndicated Loan Agreement as a reserve for Cost Overruns will not be drawn by AMD Saxonia but will be cancelled so that the total loan facility granted under the Syndicated Loan Agreement will be reduced by DM 150,000,000 to DM 1,500,000,000. The total additional investment requirements remaining as expected will be funded . as follows:
 - (i) from the Cash Flow of AMD Saxonia which will be generated within the framework of the reimbursement obligations in accordance with the terms of the AMD Holding and AMD Saxonia Wafer Purchase Agreements as amended; and
 - (ii) by an additional interim financing to be provided by the Sponsors. to AMD Saxonia in the form of a subordinated revolving loan facility in an amount of up to US\$ 500,000,000 (which may be provided in Euro or in US\$).

The Sponsors' Guaranty will not expire after Completion of the Project but continue to apply for the whole term of the Syndicated Loan Agreement and amount to the greater of (i) thirty-five per cent (35%) of the outstanding amount of

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the loan and (ii) DM 217,500,000 plus interest thereon and costs, but subject to a maximum amount of DM 600,000,000.

6. The parties hereto also agreed to make certain changes to the Syndicated Loan Agreement as amended on 6 February 1998 and 29 June 1999 and in the Operative Documents referred to therein in accordance with the terms of this Amendment Agreement.
7. In view of the circumstances and stipulations made in paragraphs 4, 5 and 6 of the Preamble, the parties hereto agreed to change the Syndicated Loan Agreement as amended on 6 February 1998 and 29 June 1999 (hereinafter the "Loan Agreement") and the Operative Documents referred to therein in accordance with the following provisions.

(S) 1

Definitions

- 1.1 The individual terms defined in the Loan Agreement will have the same meanings when used in this Amendment Agreement, except where the context otherwise requires.
- 1.2 Unless the context requires otherwise, any reference to an Operative Document or a Project Agreement shall be a reference to such Document or Agreement as it shall have been, or from time to time be, amended, supplemented or replaced in accordance with the terms of the Loan Agreement and the respective Operative Document or Project Agreement.

(S) 2

Amendment of the Loan Agreement

- 2.1 Subject to (S) 4, the Loan Agreement (including Schedules 1, 2, 6, 7, 8, 9, 10, 14, 16, 17, 18, 21, 24 and 63) hereby is and will be amended and supplemented in accordance with the amendments marked in the version of the Loan Agreement (including the Schedules) attached hereto as Schedule

1.
-

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- 2.2 Schedules 1, 2, 6, 8, 14 and 16 of the Loan Agreement hereby are and will be deleted and be replaced by the Schedules 1, 2, 6,8, 14 and 16 referred to in para. 2.1; Schedule 21 Part I hereby is and will be deleted without substitution; Schedule 21 Part II hereby is and will be amended and supplemented in accordance with Schedule 21 referred to in para. 2.1;

Schedules 11, 12 and 13 of the Loan Agreement hereby are and will be deleted without substitution.

- 2.3 The land charge to be created pursuant to (S) 8.1.6 of the Loan Agreement has been extended by notarial declaration of 14 April 1999 to cover the real property registered in the Land Registry of Wilschdorf (folio 925), parcels numbers 706 and 707.
- 2.4 Pursuant to (S) 8.1.6 of the Loan Agreement, AMD Saxonia is obligated to create a first priority land charge. The land charge has, however, been registered in the Land Registry of Wilschdorf (folio 851) ranking after a real servitude in favor of the Energieversorgungscenter Dresden-Wilschdorf; the same holds true for the real property parcel number 707 (folio 925) which is encumbered with a prior-ranking land charge in the amount of DM 2.8 million in favor of the City of Dresden. The parties hereto take note of this situation without, however, releasing AMD Saxonia from its obligation to create a first priority land charge.
- 2.5 In addition to the real property referred to in (S) (S) 5.1.4 and 8.1.6 of the Loan Agreement and in para. 2.3 above, AMD Saxonia acquired other real property in Boxdorf which is registered in the Land Registry, parcel number 426 (folio 649). The portion of the real property which will remain with AMD Saxonia after an intended partial sale and which will probably have the parcel number 710/3 shall also be encumbered by AMD Saxonia with a first priority land charge. However, in view of the small size and/or the small value of such piece of real property, the latter will not be included in the collective land charge which is already encumbering the other real property of AMD Saxonia. Therefore, AMD Saxonia undertakes to create on such piece of real property a first priority land charge in favor of the Security Agent, in accordance with (S) 8.1.6, with personal submission to foreclosure and with the amount of the land charge, which may not be lower than the value of the piece of real property, being determined by AMD Saxonia and the Security Agent by mutual agreement. The Banks authorize the Security Agent to do so.

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- 2.6 The remaining provisions of the Loan Agreement together with the Schedules remain in force to their full extent.
- 2.7 Any reference in the Operative Documents to an Operative Document shall be a reference to the Operative Document as amended.

(S) 3

Amendment of the Security Documents

- 3.1 Subject to (S) 4, the following Security Documents together with the Schedules hereby are and will be amended and supplemented as follows:
- (i) the AMD Saxonia Security Assignment of Current Assets dated 25 September 1997 in accordance with the amendments marked in the version attached hereto as Schedule 8;

 - (ii) the AMD Holding Security Assignment of Current Assets dated 25 September 1997 in accordance with the amendments marked in the version attached hereto as Schedule 9; and

 - (iii) the AMD Saxonia Assignment of Contractual Rights dated 25 September 1997 in accordance with the amendments marked in the version attached hereto as Schedule 10.

- 3.2 The Security Documents referred to in paragraphs 3.1 (i) through (iii) together with the Schedules shall, in all other respects, remain in force to the full extent.

(S) 4

Condition Precedent

- 4.1 The validity of this Amendment Agreement is subject to the condition precedent of the Agent having confirmed to the Banks in writing that it received the documents set out in (S) 4.1.1 through (S) 4.1.14. The documents set out in paragraphs 4.1.8 through 4.1.14 must be satisfactory to the Agent in terms of content and form. The documents specified in (S) 4.1.1 through (S) 4.1.10 must have been entered into and/or

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executed in a legally binding manner and their validity may not be subject

to any conditions (except conditions the occurrence of which is connected with this Amendment Agreement):

- 4.1.1 Amendment Agreement to Sponsors' Support Agreement pursuant to Schedule 2;

- 4.1.2 Amendment Agreement to the AMD Saxonia Wafer Purchase Agreement pursuant to Schedule 3;

- 4.1.3 Amendment Agreement to the AMD Holding Wafer Purchase Agreement pursuant to Schedule 4;

- 4.1.4 Amendment Agreement to Sponsors' Guaranty pursuant to Schedule 5;

- 4.1.5 Amendment Agreement to Sponsors' Subordination Agreement pursuant to Schedule 6;

- 4.1.6 Amendment Agreement to AMD Inc. Subordination Agreement pursuant to Schedule 7;

- 4.1.7 Revolving Loan Facility Agreement pursuant to Schedule 11;

- 4.1.8 Written Confirmation of AMD Inc. Regarding the Unchanged Validity of the AMD Inc. Guaranty of 11 March 1997;
- 4.1.9 Written Acceptance Confirmation of AMD Inc. and of AMD Saxonia regarding the amendment decision of the Guarantors of 17 November 2000;
- 4.1.10 Written Approval of Sachsische Aufbaubank GmbH regarding the Amendment of the Loan Agreement and the other Operative Documents referred to therein;
- 4.1.11 Legal Opinion of the Law Office O'Melveny & Myers LLP, Counsel to AMD Inc., pursuant to Schedule 12 concerning, inter alia, the

Senior Secured Note Indenture of 1 August 1996 (as amended) referred to in (S) 15.1.13 of the Loan Agreement and the Loan and Security Agreement of 13 July 1999 (as amended) likewise referred to therein;
- 4.1.12 Legal Opinion of the Law Office Norr, Stiefenhofer & Lutz, Counsel to the AMD Companies pursuant to Schedule 13;

- 4.1.13 Legal Opinion of the Law Office Baker & McKenzie/Doser Amereller Noack, Counsel to the Agent and to the Banks pursuant to Schedule

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--
- 4.1.14 Legal Opinion of the Law Office White & Case, Feddersen, Counsel to the Agent and to the Banks pursuant to Schedule 15.

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(S) 5

Representations and Warranties

5.1 AMD Saxonia and AMD Holding represents and warrant to the Banks as follows:

- 5.1.1 AMD Saxonia and AMD Holding have taken all necessary steps and obtained all necessary consents to enter into this Amendment Agreement and the Amendment Agreements to the Operative Documents and other documents referred to in (S) 3.1 and (S) 4.1.1 through (S) 4.1.9 in a legally binding manner and to exercise its respective rights thereunder.
- 5.1.2 the execution of this Amendment Agreement and of the Amendment Agreements to the Operative Documents referred to in (S) 3.1 and (S) 4.1.1 through (S) 4.1.9 by AMD Saxonia, AMD Holding and AMD Inc. and the compliance by each of them of their obligations thereunder and the exercise by each of them of their rights thereunder:
 - (i) do not violate any provision of applicable law, any judgment or any requirements or any approvals of any authority or the

like or contractual obligations or any other obligations applicable to AMD Companies;

- (ii) will not result in the termination or acceleration of any other obligations of AMD Companies;
- (iii) will not result in an obligation of AMD Companies to create any security in favor of any third party, save as contemplated in the

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Security Documents or in the Loan Agreement (as amended by this Amendment Agreement).

5.1.3 All Operative Documents entered into by AMD Companies and referred to in (S) 3.1 and (S) 4.1.1 through (S) 4.1.9 constitute legally binding obligations of AMD Saxonia, AMD Holding and/or AMD Inc. which are enforceable in accordance with their terms, subject, to the reservations made in the Legal Opinions. Those reservations comprise limitations on the enforceability of legal documents which are governed by German law or by U.S. federal or state law if and to the extent that express reservations have been made in this respect in the Legal Opinions to be delivered to and to be approved by the Agent pursuant to (S) 4.1.11 through (S) 4.1.14.

(S) 6

Miscellaneous

- 6.1 Pursuant to (S) 22.6 (iii) of the Loan Agreement, the Banks hereby agree to the naming by the Agent (with the consent of AMD Saxonia) of an insurance advisor other than Fenchurch Insurance Brokers Ltd., London.
- 6.2 This Amendment Agreement is part of the Loan Agreement. All references in the Loan Agreement and in the Operative Documents and all statements and declarations relating thereto shall apply in the same manner to this Amendment Agreement.
- 6.3 This Amendment Agreement and all documents referred to herein shall be deemed Operative Documents within the meaning of the Loan Agreement.
- 6.4 The parties hereto may sign several duplicate originals of this Amendment Agreement which, in each case, will together be deemed to be the original.
- 6.5 Paragraphs 25.1, 27, 28 and 29 of the Loan Agreement shall apply mutatis mutandis to this Amendment Agreement.
- 6.6 The references in the Operative Documents to the General Terms and Conditions of the Security Agent shall relate to the version applicable from time to time.

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AMD SAXONY MANUFACTURING GMBH

/s/ James Doran
- -----

Managing Director

February 20, 2001

AMD SAXONY HOLDING GMBH

/s/ Thomas M. McCoy
- -----

Managing Director

February 20, 2001

DRESDNER BANK AG,

(as Security Agent and Lending Bank)

/s/ Marcus Nelgen /s/ Robert von Finckenstein
- -----

Other Lending Banks:

KREDITANSTALT FUR WIEDERAUFBAU

/s/ Marcus Nelgen /s/ Robert von Finckenstein

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

/s/ Marcus Nelgen /s/ Robert von Finckenstein

LANDESBANK BADEN-WURTEMBERG

/s/ Marcus Nelgen /s/ Robert von Finckenstein

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SACHSEN LB LANDESBANK SACHSEN GIROZENTRALE

/s/ Marcus Nelgen /s/ Robert von Finckenstein

BAYERISCHE LANDESBANK GIROZENTRALE

/s/ Marcus Nelgen /s/ Robert von Finckenstein

HYPOVEREINSBANK LUXEMBOURG SOCIETE ANONYME

/s/ Marcus Nelgen /s/ Robert von Finckenstein

BHF-BANK AKTIENGESELLSCHAFT

/s/ Marcus Nelgen /s/ Robert von Finckenstein

COMMERZBANK AKTIENGESELLSCHAFT Filiale Dresden

/s/ Marcus Nelgen /s/ Robert von Finckenstein

DSL BANK DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK

/s/ Marcus Nelgen /s/ Robert von Finckenstein

HAMBURGISCHE LANDESBANK - GIROZENTRALE -

/s/ Marcus Nelgen /s/ Robert von Finckenstein

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IKB DEUTSCHE INDUSTRIEBANK AG

/s/ Marcus Nelgen /s/ Robert von Finckenstein

LANDESBANK RHEINLAND-PFALZ - GIROZENTRALE

/s/ Marcus Nelgen /s/ Robert von Finckenstein

ABN AMRO BANK (DEUTSCHLAND) AG, Frankfurt

/s/ Marcus Nelgen /s/ Robert von Finckenstein

CREDITANSTALT AG

(formerly CREDITANSTALT-BANKVEREIN)

/s/ Marcus Nelgen /s/ Robert von Finckenstein

THE SUMITOMO BANK, LIMITED, Niederlassung Dusseldorf

/s/ Marcus Nelgen /s/ Robert von Finckenstein

BANK AUSTRIA CREDITANSTALT DEUTSCHLAND AG

/s/ Marcus Nelgen /s/ Robert von Finckenstein

DRESDNER BANK LUXEMBOURG S.A.

(as Agent and Paying Agent)

/s/ Marcus Nelgen /s/ Robert von Finckenstein

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Schedule 1

Marked Version of the Loan Agreement
(including Schedules 1, 2, 6, 7, 8, 9, 10, 14, 16, 17, 18, 21, 24 and 63)

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English translation of the legally
binding German Loan Agreement as amended.
Translation prepared for convenience only.

SYNDICATED LOAN AGREEMENT

11 March 1997,

as amended by Supplemental Agreements dated 6 February 1998, 29 June 1999

and

20 February 2001

between

AMD SAXONY MANUFACTURING GMBH
-as Borrower-

and

DRESDNER BANK AG
- as Security Agent -

and

THE OTHER BANKS AND FINANCIAL INSTITUTIONS
named herein

-as Lenders-

and

DRESDNER BANK LUXEMBOURG S.A.
- as Agent and Paying Agent -

Baker & McKenzie/Doser Amereller Noack

Frankfurt

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Schedule 34	AMD Holding Research, Design and Development Agreement
Schedule 35	AMD Saxonia Wafer Purchase Agreement
Schedule 36	AMD Saxonia Research, Design and Development Agreement
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Schedule 43	AMD Saxonia Land Charge
Schedule 44	AMD Saxonia Security Assignment of Current Assets

Schedule 45	AMD Saxonia Security Assignment of Fixed Assets
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Schedule 47	AMD Saxonia Global Assignment
Schedule 48	AMD Saxonia Charge of Project Accounts
Schedule 49	AMD Saxonia Assignment of Contractual Rights
Schedule 50	AMD Saxonia Assignment (U.S.A.)
Schedule 50a	AMD Saxonia Hedging Agreement
Schedule 51	AMD Holding Share Pledge Agreement
Schedule 52	AMD Holding Security Assignment of Current Assets
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Schedule 56	AMD Holding Assignment (U.S.A.)
Schedule 57	Legal Opinion of Bronson, Bronson & McKinnon LLP (Indenture, Credit Agreement)
Schedule 58	Legal Opinion of O'Melveny & Myers LLP
Schedule 59	Legal Opinion of Norr Stiefenhofer & Lutz
Schedule 60	Legal Opinion of Doser Amereller Noack/Baker & McKenzie
Schedule 61	Legal Opinion of Feddersen Laule Scherzberg & Ohle Hansen Ewerwahn
Schedule 62	General Terms and Conditions
Schedule 63	Maximum 65/35 Guaranty Amount

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SYNDICATED LOAN AGREEMENT

between

1. AMD SAXONY MANUFACTURING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 13186,
 - hereinafter referred to as "AMD Saxonia" -
 - as Borrower -
2. DRESDNER BANK AG in Dresden,
 - hereinafter also referred to as "Security Agent", as the case may be -
3. The Banks and financial institutions listed in Schedule 1
 - the parties referred to at 2 and 3 hereinafter each referred to as a "Bank" or together as the "Banks", as the case may be -
 - as Lenders -.

and
4. DRESDNER BANK LUXEMBOURG S.A.
 - hereinafter referred to as the "Agent" or the "Paying Agent", as the case may be -

PREAMBLE

1. AMD Saxonia proposes to construct, own and operate a fabrication facility in Dresden for the manufacture of microchip silicon wafers (the "Fabrication Facility") together with an integrated research and development center (the "Design Center") (which together are referred to as the "Project"). AMD Saxonia is a wholly owned subsidiary of AMD Saxony Holding GmbH domiciled in Dresden, registered in the Commercial Register of the Dresden County Court under HRB 13931 ("AMD Holding") whose sole shareholder is Advanced Micro Devices, Inc., a Delaware corporation of One AMD Place, Sunnyvale, California 94088 - 3453 ("AMD Inc.").
2. The investment cost required for implementation of the Project is to be partially financed in an amount of up to DM 1,500,000,000 through the credit facilities made available to AMD Saxonia on and subject to the terms and conditions of this syndicated loan agreement (the "Agreement").
3. AMD Inc. has made available to AMD Saxonia, via AMD Holding, equity in the form of ordinary share capital in an aggregate amount of DM 217,550,000, together with subordinated loans pursuant to the terms of the Sponsors' Support Agreement and the Sponsors' Loan Agreement, totalling in aggregate DM 645,000,000 as at 31 December 1999. Furthermore, AMD Inc. has undertaken to make available to AMD Saxonia

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subordinated revolving loans in an aggregate amount of US\$ 500,000,000 pursuant to the Revolving Loan Facility Agreement (as defined below) to finance the general corporate funding requirements of AMD Saxonia.

4. The Free State of Saxony has agreed to provide regional aid for the Project comprising (i) a dedicated purpose investment grant in an aggregate amount of DM 476,687,000 (which together with investment subsidies in an aggregate amount of DM 23,813,000 totals an aggregate amount of DM 500,500,000), and (ii) a dedicated purpose interest subsidy in an amount of DM 300,000,000 which in each case will be paid to AMD Saxonia by Dresdner Bank AG in Dresden, in its capacity as house bank.
5. The Banks have agreed to make available to AMD Saxonia the facilities referred to above on and subject to the following terms and conditions.

IT IS AGREED AS FOLLOWS:

(S) 1
Definitions and Interpretation

1.1 Definitions of terms not defined above are as follows:

AMD/Dresdner Subsidy Agreement (AMD/Dresdner Zuschussvertrag):
the agreement between AMD Saxonia and Dresdner Bank AG in its capacity as house bank to AMD Saxonia, in the form set out in Schedule 25.

AMD Companies (AMD-Gesellschaften):
together AMD Saxonia, AMD Holding and AMD Inc.

AMD Holding Wafer Purchase Agreement:
the agreement between AMD Holding and AMD Inc., in the form set out in Schedule 33.

AMD K6 microprocessor:
the Microsoft Windows compatible general purpose microprocessor under development by AMD Inc. to compete with Intel Corporation's Pentium Pro microprocessor.

AMD Saxonia Wafer Purchase Agreement:
the agreement between AMD Saxonia and AMD Holding, in the form set out in Schedule 35.

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Available Revolving Loan Facility Amount:
means, on any date, any amount (which must be positive) of:

(i) the Total Revolving Loan Commitment Amount on such date;

less

(ii) the aggregate unpaid principal amount of all Revolving Loans outstanding on such date.

Auditor (Wirtschaftsprüfer):
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 withheld.

Banks' Auditor (Wirtschaftsprüfer der Banken):
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 withheld.

Banking Day (Bankarbeitstag):
each day on which banks are generally open for business in London, Frankfurt am Main, Dresden and Luxembourg.

Capital Expenditure (Investitionskosten):
acquisition and manufacturing costs in respect of fixed and movable assets in accordance with (S) 266 2 A II of the Commercial Code and acquisition costs for intangible assets in accordance with (S) 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).

Completion (Fertigstellung):
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 is
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confirmed to the Agent by the submission of properly executed originals of such Certificates.

Disclosure Schedule:

the list of matters disclosed by AMD Saxonia set out in Schedule 15.

Drawdown Notice (Auszahlungsverlangen):

a Drawdown Notice in the form of the specimen set out in Schedule 3.

Drawdown Schedule (Auszahlungsplan):

the drawdown schedule set out in Schedule 2, as the same may be revised in

accordance with the Project Budget.

Equipment Supply Contract (Liefervertrag):

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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.

Event of Default (Kündigungsgrund):

any event which would entitle a party to an Operative Document, possibly after the giving or expiry of notice and/or lapse of time, to terminate the relevant Operative Document.

Excepted Software Agreements (Ausgenommene Softwareverträge):

means software licences and software service agreements entered into by AMD Saxonia which are used exclusively:

(i) for financial planning, business administration systems and similar ancillary administrative functions and which are not linked to, or connected with (a) the production process in the Fabrication Facility; (b) general bookkeeping and invoicing and (c) production planning; or

(ii) in the Design Center.

Facilities (Kredite):

as defined in (S) 2.1.

Guarantors (Bürgen):

the Federal Republic of Germany and the Free State of Saxony in their respective capacities as guarantors pursuant to the 65/35 Guaranty.

Guaranty Decision (Burgschaftsentscheidung):

the decision dated 2 July 1996 set out in Schedule 24 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;
- (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) the Memorandum of Understanding ("Gemeinsame Feststellungen") of 19 February 1997, the Amendment Decision of 12 December 1997 and the letter from C&L Deutsche Revision AG dated 5 January 1998; and

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- (v) the letters from C&L Deutsche Revision AG to Dresdner Kleinwort Benson and Dresdner Kleinwort Wasserstein, respectively, dated 17 November 2000 and 7 February 2001.

65/35 Guaranty (65/35 Burgschaft):

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 65 % of the Facilities (in aggregate DM 975,000,000), together with the shortfall of interest and costs, vested with a first right of satisfaction in favour of the Banks over all security granted by the AMD Companies as

security for the Banks' risk of recovery (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 guaranties).

Insurance Advisor (Versicherungsberater):

Fenchurch Insurance Brokers Ltd., London or such other insurance advisor as may from time to time be appointed by the Agent with the consent of AMD Saxonia, which consent shall not be unreasonably withheld.

Interest Period (Zinsperiode):

the interest periods to be designated for individual advances, in each case in accordance with (S) (S) 6.1 to 6.4.

Lending Office (kreditausreichende Geschäftsstelle):

the lending office of each Bank referred to in Schedule 1 to this

Agreement.

LIBOR-Rate (LIBOR-Satz):

the LIBOR-rate so defined in (S) 6.1.1.

Management Plan:

the management plan in the form set out in Schedule 14.

Material Service Contract (wesentlicher Leistungsvertrag):

each Service Contract

- (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.

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Material Equipment Supply Contract (wesentlicher Liefervertrag):

is 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.

Minimum Liquidity Covenant (Mindestliquiditätskennzahl):

as defined in Schedule 17, (S) 4.

Operative Documents (Transaktionsdokumente):

each of the following:

- (i) the Project Agreements;
- (ii) this Agreement, the Sponsors' Support Agreement, the Sponsors' Loan Agreement in the form set out in Schedule 29, the Security Documents,

the Sponsors' Consent and Agreement in the form set out in Schedule

31, the AMD Saxonia Hedging Agreement in the form set out in Schedule
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50a, the AMD/Dresdner Subsidy Agreement, the SAB/Dresdner Subsidy

Agreement, the Sale and Settlement Agreement between AMD Saxonia and the City of Dresden dated 11 June 1996, together with amendments dated 25 October 1996 and 28 February 1997, and the Revolving Loan Facility Agreement;
- (iii) the Loan and Security Agreement dated as of July 13, 1999, as amended, between, inter alia, AMD Inc. and the Bank of America National Trust and Savings Association, the AMD Inc. Senior Secured Note Indenture dated as of 1 August 1996, as amended, between AMD Inc. and United States Trust Company of New York, as trustee, the Management Plan, the Project Budget, the Project Schedule, the Plans and Specifications, the Information Memorandum of AMD Saxonia of September 1996, the [Scheduled Project Phase] Technical Completion

Certificates (Obligors), the [Scheduled Project Phase] Technical Completion Certificates (Technical Advisor), in the form set out in Schedules 9 and 10, the Statement of the Use and Source of Funds, in -----
the form set out in the Schedule 16, and each Consent and Agreement -----
required pursuant to the agreements referred to in this definition in the form set out in Part II of Schedule 40, Annex 3 to Schedule 49, -----
Annex 3 to Schedule 55 or in such other form to which the Agent has -----
consented; and

- (iv) all other Operative Documents within the meaning of the Sponsors' Support Agreement and each other instrument or document designated by the Agent (with the consent of AMD Saxonia) as an Operative Document under this Agreement or the Sponsors' Support Agreement.

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Plans and Specifications (Pläne und Spezifikationen):

the plans and specifications to be prepared by AMD Saxonia and to be approved by the Technical Advisor, the Agent and each Sponsor for the fitting out of the Plant and the Design Center, as the same may be amended from time to time with the consent of each of the AMD Companies and the Agent. Amendments which do not reduce or affect the value of the Plant and the Design Center or the capacity and purpose of the Plant as set out in the Plans and Specifications originally approved, shall not require the consent of the Agent.

Project Accounts (Projektkonten):

as defined in (S) 19.1.

Project Agreements (Projektverträge):

the AMD Saxonia Wafer Purchase Agreement, the AMD Holding Wafer Purchase Agreement, the AMD Saxonia Research, Design and Development Agreement, in the form set out in Schedule 36, the AMD Holding Research, Design and -----
Development Agreement, in the form set out in Schedule 34, the Management -----
Service Agreement, in the form set out in Schedule 37, the License -----
Agreement, in the form set out in Schedule 38, the Design/Build Agreement, -----
in the form set out in Schedule 39, the Equipment Supply Contracts, the -----
Service Contracts, the AMD Inc. Guaranty, in the form set out in Schedule -----
27 and each other instrument or document designated by the Agent (with the -----
consent of AMD Saxonia) as a Project Agreement for the purposes of this Agreement.

Project Budget (Projektbudget):

the budget set out in Schedule 6, including such amendments thereto made -----
with the consent of the Agent in accordance with (S) 18.2 of this Agreement.

Project Costs (Projektkosten):

all Capital Expenditure and other costs which are incurred by AMD Saxonia in connection with the Project.

Project Phase (Projektabschnitt):

each project phase set out in the Project Schedule contemplated for the implementation of the Project.

Project Schedule (Projektzeitplan):

the timetable in the form set out in Schedule 7, including amendments -----
thereto made with the consent of the Agent in accordance with (S) 18.2 of this Agreement.

Reference Rate (Basissatz):

the reference rate so defined in (S) 6.1.1.

Reference Banks (Referenzbanken):

the Agent together with Commerzbank AG and ABN AMRO Bank (Deutschland) AG or such other Banks designated by the Agent in their stead, subject to the approval of AMD Saxonia, such approval not to be unreasonably withheld.

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Revolving Loans:

the subordinated unsecured revolving loans made by the Sponsors under the

terms of the Revolving Loan Facility Agreement.

Revolving Loan Facility Agreement:

the US\$ 500,000,000 subordinated unsecured revolving loan facility agreement dated 20 February 2001 between AMD Inc., AMD Holding and AMD Saxonia.

SAB/Dresdner Subsidy Agreement (SAB/Dresdner Zuwendungsvertrag):

the agreement between the Sächsische Aufbaubank GmbH, Dresden and Dresdner Bank AG, Dresden in its capacity as house bank to AMD Saxonia, in the form set out in Schedule 26.

Security Documents (Sicherheitenverträge):

the agreements and other documents referred to in (S) 8.1.

Service Contract (Leistungsvertrag):

each contract in respect of services to be performed in favour of AMD Saxonia (with the exception of the AMD Saxonia Wafer Purchase Agreement, the Management Service Agreement as set out in Schedule 37 and employment

contracts) which is not an Equipment Supply Contract but excluding Excepted Software Agreements.

Sponsors (Sponsoren):

together, AMD Inc. and AMD Holding.

Sponsors' Support Agreement:

the agreement entered into between AMD Inc., AMD Holding, the Agent and the Security Agent entitled "Sponsors' Support Agreement", in the form set out in Schedule 28.

Subsidy Agreement (Zuschussvertrag/Zuwendungsvertrag):

together, the AMD/Dresdner Subsidy Agreement and the SAB/Dresdner Subsidy Agreement.

Technical Advisor (Technischer Berater):

Fraunhofer Institut für Siliziumtechnologie, Itzehoe, or such other technical advisor as may be appointed by the Agent with the consent of AMD Saxonia, which consent shall not be unreasonably withheld.

Total Revolving Loan Commitment Amount:

means US\$ 500,000,000 (five hundred million US 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.

US GAAP:

the generally accepted accounting principles as set forth from time to time in the opinions and pronouncements of the United States Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the

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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.

1.2 The terms referred to in the introduction to this Agreement, in the Preamble and in (S) 1.1 above shall, except where the context otherwise requires, have the same meanings when used in this Agreement. Unless the context requires otherwise, such terms shall also have such meanings when used in agreements, written notifications, confirmations and other documents which are issued pursuant to the terms of this Agreement. Unless the context requires otherwise, any reference to an Operative Document or a Project Agreement shall be a reference to such Document or Agreement as it shall have been, or from time to time be, amended, varied, re-issued, replaced, novated or supplemented, in each case, in accordance with its terms and this Agreement.

(S) 2

Facilities

2.1 The Banks hereby agree to make available to AMD Saxonia a long term investment loan in an amount of up to DM 1,500,000,000 (in words: one billion five hundred million Deutsche Marks) (hereinafter "Facility A" or the "Facilities", as the case may be). The Facilities will be made available by each of the Banks in an amount corresponding to its commitment as set out in Schedule 1, as amended.

2.2 Each Bank shall make available its respective commitment under the Facilities pursuant to (S) 2.1 and Schedule 1, separately and independently

from each other Bank, through its Lending Office. AMD Saxonia may draw the Facilities from all the Banks only in the proportion of their respective commitments in accordance with (S) 2.1 and Schedule 1. No Bank shall be

liable to provide or make available any advance in respect of amounts to be provided or made available by the other Banks; any joint and several liability of the Banks is hereby excluded. The Paying Agent shall be obliged to distribute to AMD Saxonia the advances to be made by the other Banks only to the extent that the Paying Agent has in fact received payment of such advances. Each Bank shall have a claim against AMD Saxonia in the amount of advances made by such Bank, secured pro rata by the security to be granted in accordance with the terms and conditions of this Agreement.

- 2.3 The failure by any Bank to comply with its obligations under this Agreement shall not affect either the enforceability of this Agreement as a whole or the obligations of any other party. In such case, AMD Saxonia shall have a claim solely against the defaulting Bank.

(S) 3
Purpose

- 3.1 Facility A shall be used only for the purpose of the partial financing of the Project Costs. Utilisation of Facility A to finance Project Costs which are not Capital Expenditure is

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permitted only up to a maximum amount of DM 100,000,000 and only in respect of costs incurred before 1 January 1999.

- 3.2 The use and source of funds in respect of each Project Phase shall be evidenced by furnishing to the Agent a statement of the use and source of funds, in the form set out in Schedule 16, certified by the Auditor, such

statement to be delivered simultaneously with the Scheduled Project Phase Technical Completion Certificates pursuant to Schedules 9 and 10 for the

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relevant Project Phase and in any event promptly after the expiry of each calendar quarter, save as may, in individual cases, be otherwise agreed with the Agent.

(S) 4
Utilisation of the Facilities

- 4.1 To the extent that all the conditions precedent set out in (S)5 are satisfied, the Facilities may be drawn on and subject to the following terms and conditions by the delivery to the Paying Agent, with a copy to the Agent, of a written Drawdown Notice to be received by the Paying Agent, in the case of the first Drawdown Notice at least ten (10) Banking Days before the drawdown date and, in the case of any other Drawdown Notice five (5) Banking Days before the drawdown date, set out in such notice:

4.1.1 Facility A

Prior to Completion, advances shall be made up to the cumulative limit in each Project Phase set out in the Drawdown Schedule in accordance with the Project Schedule. Such limit and any advances drawn after Completion shall not, however, without the prior written consent of the Guarantors, be greater than the maximum guaranty amount for any calendar year prescribed by the Guarantors pursuant to Schedule 63. Advances shall be in minimum amounts of DM 15,000,000 and in integral multiples of DM 5,000,000 or in an equal amount to the undrawn portion of Facility A. No more than one advance may be made in any calendar month.

Drawdowns in any Project Phase are permitted only in the amount of Project Costs which have been incurred during the same Project Phase, as the same are documented by invoices and other supporting evidence to be furnished together with the Drawdown Notice, as required below. Drawdowns in a current Project Phase are however permitted in respect of Project Costs which are shown to have been incurred in respect of an invoice for goods or services performed or delivered, submitted in the last thirty days prior to the end of a prior Project Phase and which have been included in full in the first Drawdown Notice of such current Project Phase. The preceding two sentences shall not apply to drawdowns requested following Completion.

Drawdown Notices, and the confirmation contained therein from AMD Saxonia in the form set out in Schedule 3, shall be furnished to the Agent and

the Paying Agent at the same time. The following documents shall be furnished to the Agent together with relevant Drawdown Notice:

- (i) written confirmation of the Managing Directors (Geschäftsführung) of AMD Saxonia and an authorised representative of AMD Inc. that the conditions precedent referred to in (S) (S) 5.2.2 to 5.2.4 with respect to it have been satisfied at the time of the Drawdown Notice;
- (ii) in respect of drawdowns requested prior to Completion only, unless the Agent has waived the same, copies of invoices and a description in reasonable detail of the deliveries and services performed in respect of amounts which are at least equal to the amount proposed to be drawn. Project Costs which are not Capital Expenditure may be supported by evidence other than invoices, in such form as is reasonably satisfactory to the Agent;
- (iii) in respect of drawdowns requested prior to Completion only, written confirmation of the Auditor that the amounts invoiced are, or were, to the extent already paid, due and any contractually agreed retentions and other deductions, such as discounts, have been deducted in each case, in the form set out in Schedule 21, as amended.

Amounts drawn and subsequently repaid may not be reborrowed.

- 4.1.2 [left intentionally blank]
- 4.1.3 [left intentionally blank]
- 4.2 Drawings of the Facilities are not permitted after 29 June 2001.
- 4.3 Drawings under the Facilities shall be permitted only to the extent that the making of an advance would not result in the total amount advanced by the Banks exceeding by more than three times the total amount paid up on the ordinary share capital of AMD Saxonia and the total amount of subordinated loans advanced to AMD Saxonia (but excluding, for this purpose, Revolving Loans) and/or cash contributions made to the reserves and not repaid in accordance with Section 6.3 second sentence of the Sponsors' Support Agreement and used for Project Costs.
- 4.4 Advances under the Facilities will be made available to AMD Saxonia by the Paying Agent crediting AMD Saxonia's *** with the Agent.
- 4.5 The Banks shall be entitled to reject Drawdown Notices from AMD Saxonia if and to the extent that AMD Saxonia has assigned or charged its claims under this Agreement to any third party or if such claims have been subject to an attachment order without the consent of the Banks or if AMD Saxonia is in default in the payment of any amount due or is in breach of a material obligation, under this Agreement.

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

(S) 5
 Conditions to Drawing

- 5.1 Initial utilisation of the Facilities is subject to the satisfaction of the conditions set out in (S) 4 and all the following conditions (including those set out in (S) 5.2) at the date of the Drawdown Notice and written confirmation from the Agent and/or the Paying Agent that it has received a duly completed Drawdown Notice and confirmation from the Agent that it has received the documents referred to in (S) 5.1.1 to 5.1.16.
 - 5.1.1 Written confirmation of the Chief Financial Officer of AMD Inc. ***
 - 5.1.2 Written confirmation from AMD Saxonia and AMD Inc. that as at the date of the initial Drawdown Notice all material governmental approvals, consents and measures which are necessary for the implementation and ongoing operation of the Project in accordance with the Plans and Specifications and the Operative Documents are available, or have been taken, as the case may be, which, according to the progress of the Project are appropriate and there is no reason to believe that the same will be revoked, restricted or made subject to conditions or that governmental approvals, consents and measures necessary at a later stage of the Project will not be obtained or taken in a timely fashion. Schedule 20

contains a list of all material approvals, consents and measures within the meaning referred to above. To the extent applicable as aforesaid and if any Bank should so reasonably require, AMD Saxonia shall furnish the Agent with certified copies of all relevant documents required for the performance of the Operative Documents, and of the governmental approvals, consents and measures necessary for the operation of the Fabrication Facility and the Design Center.

- 5.1.3 Confirmation from AMD Inc. that as at the date of the initial Drawdown Notice all consents or approvals necessary from third party creditors in relation to the indebtedness or contingent liabilities of AMD Inc. and in relation to the execution, delivery and performance by each of the AMD Companies of their existing obligations and the subject matter of the Operative Documents have been obtained.
- 5.1.4 Receipt of an extract from the Land Register confirming that AMD Saxonia has been registered in the Register as the owner of parcels referred to as nos. Folio 851 parcels nos. 150/2, 121/2, 122, 123, 124, 125/2, 126, 127, 128/2, 129/3, 130, 131, 132, 133/1, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 143a, 144, 145, 146, 147, 148, 149, 151/2, 152, 153, 154/2, 155, 156, 157, 158, 159, 160/1, 160/2, 161, 162, 694/1 in the County Court of Dresden von Wilschdorf and that the land charge to be granted in accordance with (S) 8.1.6 has been registered and that there are no prior registered charges.
- 5.1.5 All fees to be borne by AMD Saxonia pursuant to this Agreement and the other Operative Documents, to which the Agent, the Security Agent, the Paying Agent or the Banks are party, and other payments relating to costs incurred pursuant to (S) 25.1 which are due have been paid.

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

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- 5.1.6 The Agent has received the following duly executed legally binding documents whose effectiveness is not conditional (save solely in respect of any condition relating to this Agreement):
 - (i) all Security Documents pursuant to (S) 8 with the exception of such Consents and Agreements required in accordance with this Agreement and the Security Documents set out in Schedules 49 and -----
55 which are to be furnished together with the relevant contracts --
when the same are entered into
 - (ii) Sponsors' Support Agreement, in the form set out in Schedule 28 -----
 - (iii) AMD Saxonia Wafer Purchase Agreement, in the form set out in Schedule 35. -----
 - (iv) AMD Holding Wafer Purchase Agreement, in the form set out in Schedule 33. -----
 - (v) AMD Saxonia Research, Design and Development Agreement, in the form set out in Schedule 36. -----
 - (vi) AMD Holding Research, Design and Development Agreement, in the form set out in Schedule 34. -----
 - (vii) Management Service Agreement, in the form set out in Schedule 37. -----
 - (viii) License Agreement in the form set out in Schedule 38. -----
 - (ix) Sponsors' Loan Agreement, in the form set out in Schedule 29. -----
 - (x) Sponsors' Consent and Agreement, in the form set out in Schedule 31. -----
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 - (xi) Design/Build Agreement including Contractor's Consent and Agreement, in the form set out in Schedule 39.

(xii) copies, certified by a lawyer as true copies, of Material Equipment Supply Contracts and Material Service Contracts (to the extent executed as at the date of the initial Drawdown Notice), including relevant Consents and Agreements in the form set out in Schedule 40 Part II, Annex 3 of Schedule 49 or in such other form

as the Agent has consented to as well as all other Consents and Agreements required in accordance with the Security Documents in the form set out in Schedules 49 and 55.
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(xiii) AMD/Dresdner Subsidy Agreement (Zuschussvertrag).

(xiv) SAB/Dresdner Subsidy Agreement (Zuwendungsvertrag).

(xv) AMD Saxonia Hedging Agreement in the form set out in Schedule 50a.

(xvi) confirmation in writing from the State Ministry of Saxony for Economics and Labour that it has received a Letter from the European Commission confirming

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its non-objection to the interest subsidies to be paid under the Subsidy Agreements.

(xvii) Sale and Settlement Agreement between AMD Saxonia and the City of Dresden dated 11 June 1996, together with amendments dated 25 October 1996 and 28 February 1997.

5.1.7 The Agent has received from AMD Saxonia, AMD Holding and AMD Inc. respectively, confirmation that, as at the date of relevant Drawdown Notice, subject to any disclosure to the contrary in the Disclosure Schedule set out in Schedule 15, (i) its representations and warranties

in the Operative Documents are true and accurate in all material respects as at such date; (ii) none of the events referred to in (S) 21 has occurred and is continuing, (iii) each of the Operative Documents to which it is a party is legally binding on it and in full force and effect and (iv) there has been no breach by AMD Saxonia of such Operative Documents.

5.1.8 The Agent has been furnished with the following documents:

(i) Documents relating to AMD Inc.

(a) a certificate of incorporation of AMD Inc. together with any amendments thereto duly certified by the Secretary of State of the State of Delaware, USA;

(b) a certificate of the Secretary of State of the State Delaware, USA, referring to the certificate of incorporation of AMD Inc. and any amendments and confirming that the same are the only charter documents furnished to the Secretary of State concerning AMD Inc., that AMD Inc. is incorporated in the State of Delaware, USA, and is in good standing and at the date of the certificate all franchise taxes due up to that date have been paid;

(c) a certificate signed by the Secretary of State of the State of California, USA, in customary form, confirming that under Californian law, AMD Inc. satisfies all the conditions for intra-state business and as at the date of the confirmation is entitled to engage in intra-state business, subject to any required permits of the State of California otherwise required;

(d) a duly signed confirmation of the Recorder of Deeds of New Castle County, Delaware, USA, in customary form, confirming that a certified copy of the certificate of incorporation of AMD Inc. together with all amendments referred to in the certificate delivered pursuant to (S) 5.1.8 (b), has been furnished to his office;

(e) a duly signed confirmation of the Secretary of the Franchise Tax Board of the State of California, USA, in customary form, confirming that AMD Inc. is in good standing, has no unpaid tax obligations

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known to the Franchise Tax Board and is entitled to carry on business in the State of California; the provision of such confirmation shall not, however, be necessary to the extent that such confirmation cannot be provided for the reasons disclosed in the Disclosure Schedule, provided the decisions concerning the tax assessments have been challenged bona fide in appropriate proceedings and provision has been made therefor in accordance with US GAAP.

The date of the documents referred to above shall not be more than one month prior to the date of the initial Drawdown Notice.

(ii) Documents relating to AMD Holding

- (a) certified copy of the Commercial Registry extract and the articles of incorporation of AMD Holding in the form certified by the County Court. The date of the Commercial Registry extract shall not be more than one month prior to the date of the Drawdown Notice;
- (b) confirmation of the Managing Directors (Geschäftsführung) of AMD Holding that the matters set out in the documents referred to in (a) are true and accurate in all respects as they relate to the actual facts;
- (c) audited financial statements of AMD Holding, including notes to the statements and a management report, together with an unqualified report by the Auditors for the year ended 31 December 1996.

(iii) Documents relating to AMD Saxonia

- (a) certified copy of the Commercial Registry extract and the articles of incorporation of AMD Saxonia in the form certified by the County Court; the date of the Commercial Registry extract shall not be more than one month prior to the date of the initial Drawdown Notice;
- (b) written confirmation of the Managing Directors (Geschäftsführung) of AMD Saxonia that the documents referred to in (a) are true and accurate in all respects as they relate to the actual facts.
- (c) audited financial statements of AMD Saxonia including notes to the statements and a management report, together with an unqualified report by the Auditors for the year ended 31 December 1996.

5.1.9 The Agent has received from AMD Inc. confirmation in the form of Schedule

3, dated as of the date of the initial Drawdown Notice, stating that

-
there is attached (i) a written resolution of its Board of Directors authorising execution of the Operative Documents and (ii) a copy of its by-laws in effect at the date of the initial Drawdown Notice and (iii) a list of its agents and officers who have signed the Operative Documents and the documents relating thereto as authorised signatories.

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5.1.10 The Agent has received an opinion acceptable to it from a recognised reputable first class US financial advisory firm confirming that the Operative Documents to which AMD Inc. is a party are fair to AMD Inc. from a financial point of view.

5.1.11 The Agent has received the following legal opinions:

- (i) legal opinion (including an Exhibit A thereto in a form satisfactory to the Agent) of Bronson, Bronson & McKinnon LLP, counsel to AMD Inc., in the form set out in Schedule 57, relating

to the Senior Secured Note Indenture dated 1 August 1996 and the Credit Agreement dated 19 July 1996 each as referred to in (S) 15.1.13, dated not more than 21 calendar after the date hereof;

- (ii) legal opinion of O'Melveny & Myers LLP, counsel to the AMD Companies, of even date herewith, in the form set out in Schedule

58, together with confirmation in accordance with Schedule 58 from
--
O'Melveny & Myers LLP that the statements referred to in the legal opinion continue to be true and accurate as at a date not more

than ten calendar days prior to the date of the initial Drawdown Notice;

- (iii) legal opinion of Norr, Stiefenhofer & Lutz, counsel to the AMD Companies including an opinion relating to the completeness of the schedule of required governmental approvals, permits and measures (Schedule 20) as well as relating to the status of such required ----- approvals, permits and measures in accordance with the progress of the Project, in a form updated from that set out in Schedule 59 ----- satisfactory to the Banks dated not more than ten calendar days prior to the date of the initial Drawdown Notice; and
- (iv) legal opinion of Doser Amereller Noack / Baker & McKenzie, counsel to the Agent and the Banks of even date herewith, in the form set out in Schedule 60, together with confirmation from Doser ----- Amereller Noack/Baker & McKenzie that the statements referred to in the legal opinion continue to be true and accurate as at a date not more than ten calendar days prior to the date of the initial Drawdown Notice;
- (v) legal opinions of Feddersen Laule Scherzberg & Ohle Hansen Ewerwahn, counsel to the Agent and the Banks of even date herewith in the form set out in Schedule 61, together with confirmation ----- from Feddersen Laule Scherzberg & Ohle Hansen Ewerwahn that the statements referred to in the legal opinion continue to be true and accurate as at a date not more than ten calendar days prior to the date of the initial Drawdown Notice.

5.1.12 The Agent has received a technical report (Technical Report) from the Technical Advisor, in form and substance satisfactory to the Agent together with an updated confirmation from the Technical Advisor that the Technical Report continues to be true and accurate in all material respects together with the confirmation in writing from AMD Saxonia in the form set out in Schedule 19;

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5.1.13 The Agent has received confirmations from AMD Saxonia's Insurance Brokers in the form of Annexes I and II of Schedule 22 as well as ----- confirmation from the Insurance Advisor in form and substance satisfactory to the Agent evidencing, in particular, that AMD Saxonia has taken out insurances in the scope required pursuant to (S) 17.8 and Schedule 22.

5.1.14 AMD Saxonia has registered its stated capital of at least DM 217,500,00 in the Commercial Register of which an amount of at least DM 108,750,000 has been paid up, at the latest on the date of the initial Drawdown Notice and that a sum in this amount has been credited to a Project Account in accordance with (S) 19.

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

5.1.16 The conditions to initial drawing referred to in the AMD/Dresdner Subsidy Agreement and the SAB/Dresdner Subsidy Agreement relating to the payment of grants and subsidies have been satisfied.

5.2 Each of the following conditions must be satisfied on each drawing (including the first) of the Facilities:

5.2.1 the Agent and the Paying Agent have received a Drawdown Notice and the Agent has received the documents to be submitted simultaneously with such notice pursuant to (S) 4.1. Each Drawdown Notice shall in particular contain confirmation that the conditions referred to in (S) 5.2.2 to (S) 5.2.4 below are true and accurate;

5.2.2 the representations and warranties given by each of the AMD Companies in each of the Operative Documents are true and accurate in all material respects as at the date of the Drawdown Notice and will be true and accurate as at the date of drawing, save to the extent that their content relates solely to an earlier date;

5.2.3 as at the date of the Drawdown Notice and as at the date of drawing, none of the events referred to in (S) 21 which would entitle the Banks to terminate this Agreement has occurred;

5.2.4 as at the date of the Drawdown Notice and as at the date of drawing no

event which has a "Material Adverse Effect" within the meaning of the Sponsors' Support Agreement has occurred;

5.2.5 the Agent has received a copy certified by a lawyer of each Material Equipment Supply Contract and each Material Service Contract entered into by such date, together with the written Consent and Agreements of the other contracting party relating to the transfer of the relevant contracts in the form set out in Part II of Schedule 40 or in such other

form to which the Agent shall have consented together with all Consents and Agreements required pursuant to the Security Documents set out in Schedules 49 and 55 which have not already been obtained;

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5.2.6 the Agent has received evidence reasonably requested by it that all the governmental approvals, permits and measures necessary according to the progress of the Project have been granted and, or taken, in accordance with Part B of Schedule 20 as well as, at the beginning of each Project

Phase, a legal opinion acceptable to it from Norr, Stiefenhofer & Lutz relating to the completeness and the legal validity of such approvals, permits and measures;

5.2.7 the Agent has received at the beginning of each then current Project Phase confirmation in the form of the Scheduled Project Phase Technical Completion Certificates in accordance with Schedules 9 and 10 stating

that the relevant preceding Project Phase has been completed;

5.2.8 the Agent has received at the end of each calendar year confirmations from AMD Saxonia's Insurance Brokers in the form of Annexes I and II of Schedule 22 as well as confirmation of the Insurance Advisor pursuant to

(S) 5.1.13;

5.2.9 the Agent has received all evidence reasonably requested by it relating to compliance with or the enforceability of AMD Saxonia's obligations under this Agreement and the Security Documents.

(S) 6

Interest, Commitment Fee, Payments

6.1 AMD Saxonia may elect, by a notification in a Drawdown Notice and/or an interest rate notice, whether a variable rate, a fixed rate or a combination of variable and fixed rates should apply to drawings under Facility A.

The rate of interest applicable to each advance drawn and the Interest Period applicable thereto as determined in accordance with (S) 6.2 shall be, at AMD Saxonia's option:

(i) in respect of a fixed rate, the sum of the Reference Rate and the margin,

(ii) in respect of a variable rate, the sum of the LIBOR-Rate and the margin.

6.1.1 The Reference Rate is the arithmetic mean (rounded up to the fourth

decimal place) of the fixed rates per annum for DM interest rate swaps (fixed rate as against 6 months LIBOR) in an amount equal to the relevant advance for the Interest Period requested by AMD Saxonia, as corresponds to the rate quoted by the Reference Banks at 11.00 a.m. (London time) as the offered rate on the second Banking Day prior to the relevant Interest Period, as determined by the Paying Agent.

The LIBOR-Rate is the DM interest rate per annum in the London Interbank

Market which in accordance with "Telerate Screen" page 3750 (or such other page as may be substituted for page 3750 on that system for the purpose of displaying offered rates for DM deposits) is quoted as the offered rate at 11.00 a.m (London time) on the second Banking Day prior to the relevant Interest Period for such Interest Period.

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To the extent that no interest rate is displayed on the relevant "Telerate Screen" page at the relevant time on any day for the determination of the interest rate, the rate determined by the Paying Agent shall be the arithmetic mean (rounded to the fourth decimal place) quoted to the Paying Agent by the Reference Banks as the DM interest rate per annum at which the Reference Banks offer to prime banks in the

London Interbank Market on the relevant date at 11.00 a.m. London time for deposits for the relevant period and in an amount comparable to the relevant advance.

If any Reference Bank does not notify such a rate to the Paying Agent for any relevant period, the LIBOR-Rate and/or the Reference Rate as applicable shall be determined on the basis of the rates notified by the other Reference Banks.

6.1.2 The margin applicable to Facility A prior to 31 December 2001 shall be one percent (1.00%) per annum. After 31 December 2001, the margin shall be calculated by reference to:

- (a) the rating of the public long-term senior unsecured debt securities of AMD Inc. by Moody's Investor Services, Inc. (or any successor or other undertaking which has assumed the relevant functions of Moody's Investor Service, Inc. which is a rating agency of international repute) in effect at the relevant time; and
- (b) the ratio (expressed as a percentage of utilization) of outstanding advances under Facility A to DM 1,500,000,000,-,

in each case, corresponding to the interest rate set out in the right hand column of the following table:

<TABLE>
<CAPTION>

Rating	Utilisation percentage	Margin
<S> less than "investment grade (Baa3)" or no rating	<C> 70% or more	<C> 1.00% per annum;
less than "investment grade (Baa3)" or no rating	at least 50% but less than 70%	0.90% per annum;
less than "investment grade (Baa3)" or no rating	less than 50%	0.75% per annum;
"investment grade (Baa3)" or better	70% or more	0.75% per annum;
"investment grade (Baa3)" or better	at least 50% but less than 70%	0.70% per annum; and
"investment grade (Baa3)" or better	less than 50%	0.55% per annum.

</TABLE>

Adjustments to the margin in respect of each advance shall be made at the beginning of the next Interest Period and/or at the next interest payment date as set out in (S) 6.6, as the case may be.

AMD Saxonia shall ensure that the Interest Periods elected by it always correspond with the repayment schedule in (S) 7.2 of this Agreement. To the extent that any advance must be prepaid prior to the Interest Period agreed therefor in order to comply with such repayment schedule, the provisions of (S) 7.5 shall apply accordingly.

6.2 In respect of a variable interest rate, the Interest Periods shall be 1, 3, 6 or 12 months (to the extent available). The Interest Periods in respect of fixed interest rates shall be of a duration of integral multiples of one year or of such duration as AMD Saxonia and the Agent may agree in order to match the dates on which repayment instalments are made in accordance with (S) 7.2 but shall not in any event exceed five nor be less than two years.

Upon the Agent's request, AMD Saxonia will consolidate individual outstanding advances so that not more than ten separate advances are outstanding at any one time.

6.3 AMD Saxonia will notify the Agent, with a copy to the Paying Agent, in an irrevocable Drawdown Notice and/or an interest rate notice to be received at the latest by the fifth Banking Day prior to an Interest Period of the relevant interest rate (variable or fixed rate), the amount for which the specified interest rate shall apply and the duration of the relevant Interest Period. If the Agent has not received in the time specified therefor an interest rate notice in the form set out in Schedule 4 for the

next Interest Period, the relevant advance shall be for an Interest Period of the same duration as the previous Interest Period and bear interest on the same interest rate basis applicable to such Period.

- 6.4 The first Interest Period for each advance will commence on the date of drawing. Each succeeding Interest Period will commence on the expiration of the immediately preceding Interest Period. If the last day of an Interest Period does not fall on a Banking Day, the Interest Period shall be deemed to end on the next following Banking Day or if the Interest Period relates to an advance bearing interest at a variable rate and the next following Banking Day would otherwise fall in the next calendar month, such Interest Period shall be deemed to end on the immediately preceding Banking Day. If an Interest Period for any advance would otherwise extend beyond a due date for payment pursuant to (S) 7.2 of this Agreement, the relevant Interest Period shall be deemed to end on the relevant due date.
- 6.5 Interest in respect of the variable interest rate shall be calculated on the basis of the actual number of days elapsed and a 360 day year. Interest in respect of the fixed interest rate shall be calculated on the basis of a 30 day month and a 360 day year.
- 6.6 Interest shall be paid on the last day of an interest period. In the case of an Interest Period for a variable rate advance of more than 3 months interest shall be due and payable at the end of every 3 months. In the case of a fixed rate advance, interest shall

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be paid on the last day of each calendar quarter or, if such day is not a Banking Day, on the next succeeding Banking Day.

- 6.7 AMD Saxonia shall be in default (Verzug), without any requirement for notice, if it has failed to make payments which are due hereunder on the relevant due date or if it does not make such payments in full. AMD Saxonia shall pay default interest on the outstanding amount of the overdue payment at the rate equal to 4 percentage points per annum above the applicable discount rate of the German Bundesbank, or the equivalent rate following introduction of the single currency under European Monetary Union, from the due date until receipt by the Paying Agent of the outstanding amounts. Should there be no such rate following introduction of the single currency, the Banks shall determine the applicable rate in accordance with (S) 315 BGB. If AMD Saxonia is in default of payment of interest, AMD Saxonia shall pay to the Banks liquidated damages. The amount of such liquidated damages shall correspond to a rate of interest of 4 percentage points above the applicable discount rate of the German Bundesbank (or the equivalent rate following introduction of the single currency under European Monetary Union) from the due date until receipt by the Paying Agent of the overdue interest amounts. Should there be no such rate following introduction of the single currency, the Banks shall determine the applicable rate in accordance with (S) 315 BGB.
- 6.8 AMD Saxonia agrees to pay to the Paying Agent for the account of each Bank as from the date of execution of this Agreement until the end of the availability period pursuant to (S) 4.2 a commitment fee at the rate of 0,2% per annum on such Bank's commitment of the unused portion of the Facilities calculated on the basis of the actual days elapsed and on the basis of a 360 day year. The commitment fee shall be calculated on a quarterly basis and shall be payable at the end of each calendar quarter for that quarter.
- 6.9 All payments to be made by AMD Saxonia to the Banks pursuant to the terms of this Loan Agreement shall at all times be made to the Paying Agent's account no. *** with Dresdner Bank in Frankfurt or such other account as may be specified by the Paying Agent on the relevant due date. The Security Agent is hereby also authorised to debit the relevant amounts due from AMD Saxonia's account no. *** with the Security Agent in Dresden on or after the due date and to pay the same to the Agent for distribution to the individual Banks. Payments made otherwise than in accordance with this provision shall not constitute good discharge in favour of AMD Saxonia.
- 6.10 AMD Saxonia shall not be entitled to assert any rights of set off or retention against the claims of the Banks for payment hereunder.

(S) 7
Term and Repayment

- 7.1 The Facilities shall be for a term expiring on 31 December 2005.
- 7.2 The Facilities shall be amortized, commencing on 30 June 2001,

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

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in semi-annual repayments in the percentages set out below on the last

Banking Day of the relevant six month period:

<TABLE>
<CAPTION>

Instalments	Percentage of the aggregate principal amount of the Facilities outstanding at the end of the availability period pursuant to (S) 4.2
<S>	<C>
first and second instalment	6.50 % each
third and fourth instalment	13.50 % each
fifth and sixth instalment	14.25 % each
seventh and eighth instalment	10.50 % each
ninth and tenth instalment	5.25 % each

</TABLE>

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

- 7.3 AMD Saxonia is entitled to prepay the outstanding amount of the Facilities, in whole or in part, but not in an amount of less than DM 10,000,000 or, if higher, an integral multiple of DM 5,000,000 or the total amount outstanding provided that it shall have notified the Paying Agent (with a copy to the Agent) at least five Banking Days in advance by notice in writing, substantially in the form of Schedule 5. Each

repayment shall include accrued interest up to the date of repayment.
- 7.4 At the latest on 15 August 2002, AMD Saxonia shall make a prepayment of the outstanding Facilities in an amount equal to the excess (if any) of:
- 7.4.1 all drawdowns under the Facilities made after Completion,
over

- 7.4.2 Capital Expenditure incurred between 1 January 2001 and 1 July 2002, as set out in the Statement as to the Use and Sources of Funds submitted pursuant to (S) 16.2.6 (ii) for such period, signed by the Auditor.
- 7.5 Prepayments shall be applied to payments pursuant to (S) 7.2 in inverse order of maturity. In the event that the Banks incur a loss arising from a repayment (save for a repayment at the end of an Interest Period) by virtue of the fact that the reinvestment of any advances repaid by AMD Saxonia is only possible at interest rates lower than those agreed with AMD Saxonia, AMD Saxonia shall indemnify the Banks in respect of reinvestment losses so incurred as a result of prepayment. In such circumstances, the Banks shall be entitled to make a claim for the reinvestment loss which is equal to the difference between the rate of interest which would have been payable by AMD Saxonia for the relevant remaining term of the Interest Period on the basis of the applicable rates and the rate available to the Banks for such period as the reinvestment rate. For this

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purpose, the reinvestment rate for the remaining term and/or the remaining term of the Interest Period is capital market rate corresponding to the offered rate for German Pfandbriefe/Kommunalobligationen (Inhaberschuldverschreibungen) of an equivalent maturity in the interbank market, determined in accordance with (S) 6.1. The difference in interest rates shall be discounted to net present value at a discount rate equivalent to the reinvestment rate. The Banks shall be entitled to make a claim for any loss incurred by them which is higher. AMD Saxonia shall have the right to prove that damages have not been incurred or not in the amount claimed. All notices in relation to a prepayment shall be irrevocable.

(S) 8
Security

- 8.1 The Facilities are secured by the 65/35 Guaranty in the form known to the Banks and AMD Saxonia, as set out in Schedule 24 including particular

deeds of guaranty in the form set out in the specimen annexed thereto. A copy of the Guaranty Decision is also set out in Schedule 24 and the

terms of such Decision constitute a material term of this Agreement. All terms and conditions of the Guaranty Decision to be incorporated herein are hereby agreed by the parties notwithstanding that the same are not expressly set out in this Agreement; this shall apply in particular to the obligation to agree to amendments to this Agreement only with the consent of the Guarantors. AMD Saxonia undertakes to observe and comply with all relevant conditions of the Guaranty Decision directly applicable to it and to do all things to enable AMD Inc. to observe and comply with all obligations incumbent on it in connection with the Guaranty Decision. The Guarantors are entitled to appoint authorised representatives for the purpose of administering the 65/35 Guaranty. In addition, AMD Saxonia shall grant, or procure that there is granted, in favour of the Banks and the Security Agent the following security as security for all claims of the Banks as well as any potential claims of the Guarantors arising under or in connection with this Agreement:

- 8.1.1 a joint and several guaranty by the Sponsors in an amount of up to the greater of (i) thirty five per cent. (35%) of all amounts outstanding under this Agreement, and (ii) DM 217,500,000, in each case plus interest thereon and costs and expenses, but subject to a maximum amount of DM 600,000,000, as set out in the Sponsors' Guaranty in the form of Schedule 32, as amended;

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 - 8.1.2 a subordination agreement between AMD Saxonia, the Sponsors, the Agent and the Security Agent, in the form set out in Schedule 30;

 - 8.1.3 a guaranty by AMD Inc. of obligations of AMD Holding under certain Operative Documents, in the form set out in Schedule 27;

 - 8.1.4 a pledge of all shares in AMD Holding held by AMD Inc. in the form set as out in Schedule 41;

 - 8.1.5 a subordination agreement between AMD Holding, AMD Inc., the Agent and the Security Agent, in the form set out in Schedule 42.

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

 - 8.1.7 a security assignment of the current assets of AMD Saxonia (raw materials, supplemental and operational materials, finished and unfinished products as well as trading products), in the form set out in Schedule 44;

 - 8.1.8 a security assignment of fixed assets of AMD Saxonia, in the fom set out in Schedule 45;

 - 8.1.9 a security assignment of insurance claims of AMD Saxonia, in the form set out in Schedule 46;

 - 8.1.10 a global assignment of all receivables of AMD Saxonia not otherwise assigned from the supply of equipment and other services and from other claims against debtors other than the Sponsors, in the form set out in Schedule 47;

 - 8.1.11 a pledge of all amounts standing to the credit of AMD Saxonia in the Project Accounts in the form set out in Schedule 48;

 - 8.1.12 an assignment of AMD Saxonia's rights under the Design/Build Agreement in the form set out in Schedule 39, the Equipment Supply Contracts, the Service Contracts and other contracts not governed by the laws of the

United States of America or any state thereof together with an offer to transfer such contracts as required by Schedule 49 and with Consents and

Agreements in the form of Annex 3 to Schedule 49 as therein required. AMD

Saxonia is hereby authorised by the Security Agent to enforce on its behalf rights in its name under the agreements referred to above as against the relevant obligor for as long as no circumstances exist which entitle the Banks to terminate this Agreement; AMD Saxonia hereby accepts such authorisation.

8.1.13 an assignment of claims and contractual rights of AMD Saxonia under the AMD Saxonia Wafer Purchase Agreement , the Equipment Supply Contracts, the Service Contracts and rights under other contracts governed by the laws of the United States of America or any state thereof, in the form set out in Schedule 50.

8.1.14 a pledge of all shares in AMD Saxonia held by AMD Holding, in the form set out in Schedule 51;

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8.1.15 a security assignment of current assets of AMD Holding (raw materials, supplemental and operational materials, finished and unfinished products as well as trading products), in the form set out in Schedule 52.

8.1.16 a global assignment of all receivables of AMD Holding not otherwise assigned from the supply of equipment and other services and of other claims against all debtors, with the exception of AMD Inc., in the form set out in Schedule 53;

8.1.17 a pledge of all amounts standing to the credit of AMD Holding in bank accounts, in the form set out in Schedule 54;

8.1.18 an assignment of AMD Holding's rights under contracts not governed by laws of the United States of America or any state thereof and an offer to transfer such contracts, pursuant to the form set out in Schedule 55

together with Consents and Agreements in the form set out in Annex 3 to Schedule 55 as therein required; AMD Holding will be authorised by the

Security Agent to enforce on its behalf rights in its name under the agreements referred to above as against the relevant obligor for so long as no circumstances exist which entitle the Banks to terminate this Agreement.

8.1.19 an assignment of claims and contractual rights of AMD Holding under the AMD Holding Wafer Purchase Agreement and other contracts governed by the laws of the United States of America or any state thereof, in the form set out in Schedule 56.

8.2. AMD Saxonia undertakes that, in the event of any material deterioration of the security as a whole, in particular as a result of reduction in value and/or loss, it will on the request of the Agent grant additional security or repay the Facilities accordingly. AMD Saxonia undertakes to charge real property which is not presently charged or which is acquired in the future if the same is or intended to be used for operational purposes.

8.3 If AMD Saxonia is of the opinion that the realisable value of the security as a whole (with the exception of the 65/35 Guaranty) exceeds at any time by a material amount the total outstanding claims of the Banks under this Agreement, otherwise than temporarily, AMD Saxonia may by notice to the Security Agent, including supporting material, require the release of security. The Security Agent will pass a copy of such notice to the Guarantors for their comment.

Following receipt of the Guarantors' comments, the Security Agent and the Banks will release security to the extent a material over-collateralisation has been adequately demonstrated.

The Security Agent shall be obliged to agree to a release if and to the extent that the realisable value as determined in accordance with the individual Security Documents of all Security provided by AMD Saxonia exceeds 120% of the secured claims of the Banks other than temporarily. The choice of the securities released shall be at the discretion of the Security Agent and of the Banks, as the case may be.

8.4 In the event that the Banks are entitled to terminate the Facilities

pursuant to (S) 21 of this Agreement, AMD Saxonia hereby authorises the Agent, on behalf of the Banks, to

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satisfy on its behalf all obligations of, and to discharge all claims against it (including those arising under extended retention of title clauses), at the expense of AMD Saxonia. AMD Saxonia waives its rights pursuant to (S) 267 II BGB and undertakes to reimburse the Agent promptly after request by the Agent all reasonable costs and expenses which the Agent may have incurred in connection with the exercise of its rights to satisfy obligations and discharge claims as aforesaid.

(S) 9
Illegality

If it becomes illegal or unlawful pursuant to domestic or foreign legislation or it becomes contrary to any requirement of any domestic or foreign authority or public body for any Bank to comply with its outstanding obligations - in whole or in part - under this Agreement such Bank may immediately after it has become aware thereof inform AMD Saxonia through the Agent. After receipt of such notification, the Facilities made available by the relevant Bank affected by the illegality or unlawfulness shall be cancelled without notice or on such reasonable notice as may be determined by the relevant Bank and specified in the notification referred to, as the case may be. In such case, AMD Saxonia shall repay to the Paying Agent for distribution to the relevant Bank all outstanding amounts under the affected Facilities at the date such notice becomes effective, together with accrued interest and all other amounts due at the date of such notice.

(S) 10
Market Disruption; Alternative Method of Calculation

10.1 The Paying Agent shall immediately notify AMD Saxonia and the Banks if any of the following events occur in relation to any interest period:

- (i) the Paying Agent, after consultation with the Reference Banks, determines that due to circumstances affecting the London interbank market, the LIBOR rate or the reference rate cannot be adequately and reasonably determined; or
- (ii) in the case of a LIBOR rate, no interest rate for the relevant interest period appears on the Telerate Monitor and less than two (2) Reference Banks provide the Paying Agent with a LIBOR rate or in the case of the reference rate, less than two Reference Banks provide the Paying Agent with a reference rate; or
- (iii) a majority of Banks, as determined pursuant to (S) 22.5, inform the Paying Agent (with a copy to the Agent) that in respect of the relevant interest period no DM funds in the required amount are available in the London interbank market or that the average of the LIBOR-rates appearing on the Telerate Monitor do not adequately reflect the cost to such Banks of making or maintaining their respective participations in the relevant advance for such interest period.

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Following receipt of such notification no further advances may be made until an alternative method of calculation pursuant to (S) 10.2 is agreed upon or such notice is revoked by further notification from the Paying Agent to AMD Saxonia and the Banks.

10.2 As soon as notification pursuant to (S) 10.1 has been made, AMD Saxonia and the Paying Agent, in coordination with the Banks, will negotiate in good faith for a maximum period of thirty days with a view to setting an alternative method of refinancing the affected advances as well as the applicable interest rate, the interest period and the payment dates. To the extent that instead of a LIBOR rate, a reference rate can be determined or instead of a reference rate, a LIBOR rate can be determined, AMD Saxonia shall be entitled to require that the rate which is available shall apply to the relevant advance. If agreement as to the alternative interest rate is reached between the Banks and AMD, the alternative calculation method agreed shall apply for all relevant advances. If no agreement in respect of an alternative method of calculation is achieved within thirty days and agreed upon in writing or if AMD Saxonia does not require an alternative available Reference Rate or LIBOR-Rate, the following shall apply:

- (i) to the extent that the Facilities have not been drawn, no drawing will be permitted. AMD Saxonia shall then be obliged to pay immediately all amounts due to the Paying Agent for distribution to the Banks pursuant to the terms of this Agreement;
- (ii) to the extent that the Facilities have already been drawn, AMD Saxonia and the Agent (in consultation with the Paying Agent) may determine a

repayment date for the entire outstanding amount of the Facilities affected of not less than thirty days. Repayment shall be effected on such day together with interest in an amount equivalent to the costs of the Banks of making or maintaining their respective participations in the relevant advance for such interest period together with the margin to the Paying Agent for distribution to the Banks. In the event that such costs of the Banks cannot be determined, the applicable rate shall be determined in accordance with (S) 315 BGB.

(S) 11
Increased Costs

11.1 If a Bank or its Lending Office determines that the introduction of or a change of any law applicable to it or change in interpretation of any such law or the application or compliance with any regulation of any public body results or will result:

- (i) in the affected Bank being obliged to pay any tax or other payment relating to any advance made by it or to any payment to be made by AMD Saxonia to it, or
- (ii) the affected Bank being subject to any other measure which leads to an increase in the costs of that Bank in funding advances or that the amount or the effective return in relation to any payment which the affected Bank receives pursuant to this Agreement is reduced, or

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- (iii) the affected Bank being subject to additional costs which arise from its commitment under the Facility,

such Bank shall be entitled to inform AMD Saxonia through the Agent. AMD Saxonia shall then be obliged on request and irrespective of whether advances made are repaid to the affected Bank to pay such amount to the Paying Agent for the account of the affected Bank as is demonstrated to be necessary to compensate the affected Bank for the relevant increase in costs or reduction of payment. The foregoing shall apply only to the extent that the affected Bank has informed AMD Saxonia, via the Agent, of the relevant circumstance in respect of paragraphs (i) to (iii).

11.2 An increase in costs or reduction of payment referred to in (S) 11.1 does not include:

- (i) any tax on overall net income of any Bank or a branch thereof;
- (ii) any tax required to be deducted or withheld from any amount payable by AMD Saxonia which AMD Saxonia has paid in accordance with (S) 13;
- (iii) any amount relating to any reserve amount, special deposits, equity, cost ratio, liquidity or capital adequacy requirement or any other form of banking or monetary control resulting from any law or regulation in effect at the date of this Agreement.

11.3 For as long as the circumstances referred to in 11.1 above continue, AMD Saxonia shall be entitled by written notice to the Paying Agent, with a copy to the Agent, to repay all outstanding advances made by the affected Bank on thirty days notice expiring at the end of an interest period and to cancel the Facilities only as they relate to the affected Bank.

(S) 12
Indemnity

12.1 Without prejudice in particular to the provisions of (S) 6.7, (S) 7.5, (S) 10 and (S) 11, AMD Saxonia shall be obliged to hold harmless from and to indemnify each Bank and the Paying Agent on demand in respect of all losses, obligations, damage, costs and expenses (including loss of profit) under or arising out of this Agreement which are suffered by a Bank or the Paying Agent as result of:

- (i) the occurrence of circumstances which entitle the Banks to terminate this Agreement or breach by AMD Saxonia of its obligations under this Agreement;
- (ii) the failure to draw down funds under the Facilities following a Drawdown Notice;
- (iii) any amounts prepaid otherwise than in accordance with the terms of this Agreement (in particular also pursuant to (S) 10 and (S) 11).

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12.2 The obligation to hold harmless and indemnify includes also all costs and expenses which a Bank incurs as result of the redeployment of funds which are obtained for the purposes of refinancing its commitment under the

Facilities as well as all interest, fees and costs which arise as a result of the funding of the amounts not drawn.

12.3 The Paying Agent will maintain books of account in accordance with customary banking practice which will at all relevant times record the amounts owed by AMD Saxonia pursuant to this Agreement. In the event of disputes or other questions in connection with this Agreement, the contents of the Paying Agent's books of account as they relate to the obligations of AMD Saxonia pursuant to this Agreement and the amount thereof shall be conclusive, save in the case of manifest error. AMD Saxonia's ability to prove any error in the contents of such books of account shall remain unaffected.

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(S) 13

No Deductions or Withholdings

13.1 All sums payable by AMD Saxonia under this Agreement shall be paid in full without set off or withholding in respect of tax or other deductions. The right to set off or the enforcement of any rights of retention or other claims is hereby excluded. To the extent that AMD Saxonia or a third party is obliged by law to make deductions or withholdings or to retain money for tax or other reasons, AMD Saxonia shall be obliged to make a payment of the difference together with the relevant amount in such additional amount as will ensure that the relevant Bank or the Paying Agent (as applicable) receives the full amount which would otherwise have been received by it if the relevant deduction or withholding had not been made. AMD Saxonia shall be obliged to furnish the Paying Agent, with a copy to the Agent, immediately with copies of all the relevant documents confirming that the amount deducted or withheld has been paid to the relevant tax or other authority in the full amount.

13.2 If AMD Saxonia becomes aware that deductions or withholdings within the meaning of 13.1 are required, AMD Saxonia shall notify the Paying Agent, with a copy to the Agent, immediately giving details and information relating to the relevant regulations.

13.3 If any Bank receives the benefit of a tax credit or a relief or remission of tax resulting from the receipt of any additional amount under (S) 13.1 such Bank shall promptly reimburse to AMD Saxonia such part of that benefit as will leave such Bank after such payment in no more and no less favourable a position than would have applied if no such benefit or relief had been received. The relevant Bank shall be obliged to take all reasonable steps to claim such credit, relief or remission from or against its tax liabilities even if this results in an obligation to make a reimbursement to AMD Saxonia. The Banks shall not, however, be obliged to permit AMD Saxonia to inspect its books in connection with the obligation referred to above nor to take any particular steps in relation to their tax affairs.

13.4 No additional amount will be payable to a Bank under (S) 13.1 to the extent that such additional amount becomes payable as a result only of a change in the Lending Office of the relevant Bank, unless (i) such change is requested by AMD Saxonia, or (ii) under the relevant laws, regulations, treaties or rules in effect at the time of the change in Lending Office, such additional amount would not have been payable.

13.5 If AMD Saxonia is obliged to pay an additional amount under (S)13.1, AMD Saxonia may prepay in whole (but not in part) (without prejudice to (S) 12.1) the amount made available to it under this Agreement by the affected Bank, on AMD Saxonia giving not less than five Banking Days' prior written notice to the Paying Agent (with a copy to the Agent) and the affected Bank, provided that such notice is given within thirty (30) days of AMD Saxonia becoming aware that it would be obliged to pay such amount; prepayments under this (S)13.5 shall not be permitted after the expiry of such period. The liability of such Bank to make any further advances available to AMD Saxonia shall be cancelled on the giving of such notice.

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(S) 14

Continuity Clause

European Economic and Monetary Union anticipates the introduction of a single currency and the substitution of the national currencies of Member States participating in such Monetary Union. On the date on which the Deutsche Mark is replaced by the single currency, conversion into such currency shall take effect. The denomination of the original currency shall be retained for so long as this is legally permissible. Conversions shall be based on the officially fixed rate of conversion. Neither the introduction of the single currency nor the substitution of the national currencies of the Member States participating in such Monetary Union nor the fixing of the official rate of conversion nor any economic consequences that arise from any of the aforementioned events or in connection with such Monetary Union shall give rise to any right to terminate

prematurely, contest, cancel, rescind, modify, or renegotiate this Agreement or any of its provisions or to raise any other objections and/or exceptions or to assert any claims for compensation. This Agreement shall continue in full force and effect in accordance with its terms; in particular, interest rates which have been set for an interest period shall remain unchanged for such interest period, subject to any mandatory provisions.

(S) 15
Representations and Warranties

- 15.1 AMD Saxonia represents and warrants to the Banks as follows:
- 15.1.1 each of AMD Saxonia and AMD Holding is a duly organised and existing company under the laws of the Federal Republic of Germany;
- 15.1.2 each of AMD Saxonia and AMD Holding have taken all necessary steps and obtained all necessary consents to enter into legally binding obligations pursuant to the Operative Documents and the Security Documents and to exercise its respective rights thereunder;
- 15.1.3 the certified Commercial Registry extracts furnished to the Agent and the notarially certified articles of association of AMD Saxonia and AMD Holding and the other documents to be furnished pursuant to (S) 16.5 reflect in all respects the actual position existing on the date furnished to the Agent;
- 15.1.4 the execution of the Operative Documents by AMD Saxonia, AMD Holding and AMD Inc. and the compliance by each of them of their obligations thereunder and the exercise by each of them of their rights thereunder:
- (i) do not violate any provision of applicable law, any judgment or any requirements or any approvals of any authority or the like or contractual obligations applicable to them or any other obligations;
 - (ii) will not result in the termination or acceleration of any of their other respective obligations;
 - (iii) will not result in an obligation of any of them to create or grant any security in favour of any third party, save as contemplated in the Security Documents or in this Agreement.
- 15.1.5 All Operative Documents entered into by the AMD Companies constitute the legally valid and binding obligations of AMD Saxonia, AMD Holding and/or AMD Inc., respectively, enforceable in accordance with their terms, subject, however, to the Opinion Reservations. For this purpose, "Opinion Reservations" means limitations on the enforceability of legal documents which are subject to German law or the law of the U.S.A. or one of its states to the extent that in respect of these circumstances qualifications are expressly made in the legal opinions which are to be furnished to the Agent pursuant to (S) 5.1.11 and which are to be approved by the Agent. The granting of the security pursuant to (S) 8.1.1 to (S) 8.1.19 (inclusive) will be effective to grant to the Security Agent and / or the Banks a first priority security interest in each case, subject to retentions of title permitted in accordance with this Agreement. At the date of entering into this Agreement, AMD Saxonia does not own any real property, save for the real property referred to in (S) 8.1.6.
- 15.1.6 The audited consolidated financial statements of AMD Holding and the audited financial statements of AMD Saxonia each as at 31 December 1996 which have been furnished to the Agent, together with the relevant cash flow statements as at such date were, and the financial statements to be delivered pursuant to (S) 16.2.1 will be, prepared in accordance with generally accepted accounting principles consistently applied; in accordance with these principles they fairly represent, and, in the case of the financial statements to be delivered pursuant to (S) 16.2.1, will fairly represent, the consolidated financial position of AMD Holding and AMD Saxonia respectively without qualification and make provision for all material indebtedness and other liabilities, actual or contingent, of AMD Holding and AMD Saxonia save to the extent set out in Schedule -----
15. Since their respective dates of incorporation, there has been no --
material adverse change in the business or financial position of AMD Saxonia and AMD Holding.
- 15.1.7 The audited financial statements of AMD Saxonia to be delivered in accordance with (S) 5.1.8 (iii) and (S) 16.2.2 were prepared in accordance with generally accepted accounting principles consistently applied. They are in accordance with those principles, true and accurate in all material respects and fairly represent the financial position of

AMD Saxonia without qualification; in particular, provision has been made for all material indebtedness and all other liabilities, actual or contingent. Since the date of the latest audited accounts there has been no material adverse change in the business or financial position of AMD Saxonia.

15.1.8 There are no actions, suits, proceedings, claims or disputes or administrative proceedings pending or threatened against AMD Saxonia or AMD Holding or the assets or other sources of income of AMD Saxonia or AMD Holding which if an unfavourable outcome was reasonably probable, could reasonably be expected to have a material adverse effect on the financial position of AMD Saxonia or AMD Holding.

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- 15.1.9 To the best of its knowledge and belief, no Event of Default in relation to any of the Operative Documents exists at the time of entering into this Agreement.
- 15.1.10 Neither AMD Holding nor AMD Saxonia is insolvent or incapable of paying its debts as they fall due; neither is in liquidation and no steps have been commenced for the dissolution of either of them.
- 15.1.11 AMD Saxonia is a wholly owned and the only subsidiary of AMD Holding which is, in turn, a wholly owned subsidiary of AMD Inc.
- 15.1.12 The ordinary share capital of AMD Holding has been paid up in full and the stated ordinary share capital of AMD Saxonia has been paid up in accordance with the provisions of the Sponsors' Support Agreement; there have been no repayments of capital. AMD Saxonia has no other equity participations.
- 15.1.13 AMD Holding and AMD Saxonia are "Unrestricted Subsidiaries" and not "Restricted Subsidiaries" within the meaning of the Advanced Micro Devices Inc. 11% Senior Secured Note Indenture dated 1 August 1996, as amended, between AMD Inc. and the United States Trust Company of New York or the Loan and Security Agreement of July 13, 1999, as amended, between AMD Inc. and the Bank of America National Trust and Savings Association.
- 15.1.14 The assets and rights of AMD Saxonia and AMD Holding are not subject to encumbrances nor has any security been granted in favour of third parties in respect thereof save in respect of customary retention of title in favour of suppliers agreed in the ordinary course of business. No agreements with respect to extended or prolonged retention of title nor current account or group retention of title agreements have been concluded with material suppliers.
- 15.1.15 The operation and assets of AMD Holding and AMD Saxonia are fully insured against all risks customarily insured against by similar businesses and on similar terms. All insurances have been entered into with first class reputable insurance companies which are not affiliates of AMD Inc. The insurances in force from time to time in accordance with the progress of the Project will at a minimum satisfy the requirements set out in (S) 17.8 and Schedule 22.

- 15.1.16 AMD Saxonia and AMD Holding have submitted all necessary tax filings within a reasonable time of the relevant due date and in any event before penalties attach thereto. Neither AMD Saxonia nor AMD Holding is in default in relation to the payment of any tax claims or any other public law claims, other than those referred to in (S) 15.1.17, which are due except for these which are being contested in good faith by appropriate proceedings and for which proper provision has been made in accordance with German generally accepted accounting principles. There is no proposed tax assessment against AMD Saxonia or AMD Holding which would, if made, have a material adverse effect on the financial position of AMD Holding or AMD Saxonia.
- 15.1.17 All governmental or public law approvals, consents and measures (including those from the European Union) necessary for the proper implementation of the Project and the

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compliance by AMD Saxonia and AMD Holding of their obligations pursuant to the Operative Documents including in particular all such approvals, consents and measures necessary to ensure the legally binding nature of all governmental subsidies and grants in connection with the Project have been obtained, save for those set out in Part B to Schedule 20 and

there are no grounds to believe that they could be revoked or cancelled or made subject to material restrictions.

15.1.18 All governmental or public law approvals, consents and measures set out

in Part A of Schedule 20 have been obtained or taken and there is no

reason to believe that (i) the same would be revoked, cancelled,
limited or made subject to conditions of a material adverse nature nor
that (ii) the governmental approvals consents and measures set out in
Part B of Schedule 20 will not ultimately be available on a timely

basis.

- 15.1.19 The business of AMD Saxonia and AMD Holding is not subject to any unusual limitations of a material nature which might affect compliance by them of their obligations pursuant to the Operative Documents.
- 15.1.20 Neither AMD Saxonia nor AMD Holding has engaged in any business or operation or incurred liabilities save in connection with their incorporation, the Project and the Operative Documents.
- 15.1.21 The factual information furnished by AMD Saxonia or AMD Holding to the Agent or to the Banks in connection with any of the Operative Documents or the subject matter thereof (including the Information Memorandum dated September 1996) is true and accurate in all material respects and have not become misleading as a result of the omission of any material fact. All assumptions, estimates and projections contained therein have been made with due care and attention.
- 15.1.22 AMD Saxonia has not entered into any Material Equipment Supply Contracts or Material Service Contracts other than those notified to the Agent in writing, together with copies of the relevant contract or orders.
- 15.2 The above representations and warranties (with the exception of the representation in (S) 15.1.4) shall be deemed repeated in full on the date of each Drawdown Notice, on the completion of each Project Phase pursuant to the Project Schedule, and each submission of AMD Saxonia's annual financial statements by reference to the facts and circumstances then existing.

(S) 16
Reporting and Information Requirements

- 16.1 AMD Saxonia will as soon as possible and in any event within five Banking Days after becoming aware thereof inform the Agent of the occurrence of an Event of Default within the meaning of (S) 21 or any other Event of Default which in the reasonable opinion of an experienced third party would affect the legal or risk position of the Banks under this Agreement in a manner which is more than immaterial by notice in writing

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setting out the relevant circumstances and describing the measures within its powers which AMD Saxonia proposes to take in relation thereto.

- 16.2 AMD Saxonia undertakes to keep the Agent regularly informed of its financial affairs during the term of the Facilities. In particular, it is agreed as follows:
- 16.2.1 AMD Saxonia will as soon as possible and in any event within sixty (60) days of the end of each quarter of each financial year or, in the case of the last quarter of a financial year, within ninety (90) days of such quarter, furnish the Agent with (i) quarterly financial statements (balance sheet and profit and loss statement as well as a cash flow statement) for the relevant quarter and the period of the four preceding financial quarters including a comparative statement for the four financial quarters preceding such period together with (ii) a certificate of compliance in respect of the financial covenants as set out in Schedule 18, in each case in a form reasonably satisfactory to
- the Agent. The quarterly financial statements to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles applicable in Germany as consistently applied.
- 16.2.2 AMD Saxonia will as soon as possible and at the latest within ninety (90) days after the end of each financial year furnish to the Agent audited financial statements prepared by the Auditor confirming that the financial statements are unqualified and including notes to the statements and a management report, together with an audited cash flow statement including comparative figures for the preceding financial year and an updated Management Plan. At the same time, AMD Saxonia will furnish the Agent with confirmation of the Auditor that the quarterly financial statements furnished at the end of a financial quarter correspond with the audited annual financial statements and AMD Saxonia's books of account (including a reconciliation statement) and whether the financial covenants set out in Schedule 17 have been

properly calculated and have been complied with in the relevant financial year, together with a confirmation in accordance with (S) 15.2.

- 16.2.3 AMD Saxonia will furnish to the Agent, simultaneously with the annual financial statements and other documents pursuant to (S) 16.2.1 and (S) 16.2.2 written confirmation that as at the end of the relevant balance sheet date no Event of Default within the meaning of (S) 21.2 has occurred or, alternatively, which events have lead to such an Event of Default during the relevant balance sheet period. If such Event of Default has occurred, written notice thereof in accordance with (S) 16.1 shall be given to the Agent, together with written confirmation that, except as stated therein, to AMD Saxonia's knowledge no other Events of Default have occurred.
- 16.2.4 AMD Saxonia will furnish to the Agent immediately after receipt all reports and similar documents prepared by the auditors or other independent firms of accountants and which relate to audits undertaken as of the end of a financial year or any interim audits.
- 16.2.5 [left intentionally blank]
- 16.2.6 AMD Saxonia will furnish to the Agent the following:

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- (i) within thirty (30) days after the end of each calendar quarter a status report in the form set out in Schedule 8, as amended;

- (ii) within sixty (60) days of the end of each quarter of each financial year, or in the case of the last quarter of a financial year within ninety (90) day of such quarter and within ninety (90) days after the end of each Project Phase a Statement as to the Use and Source of Funds and compliance with the reimbursement obligations of the AMD Saxonia Wafer Purchase Agreement in accordance with Schedule 16,

as amended, signed by the Auditor; and
- (iii) at the latest by 28 February 2002, a status report as of 31 December 2001 relating to the Project prepared by the Technical Advisor updating (and in form similar to) the Technical Appraisal of the Technical Advisor dated 5 October 2000.
- 16.3 AMD Saxonia will inform the Agent promptly in writing in the event that production in the Fabrication Facility or research activity in the Design Center is not undertaken at any time after first commercial shipment of Products (as defined in the AMD Saxonia Wafer Purchase Agreement) for a period of more than five (5) successive days or if legal administrative or arbitration proceedings are instituted or threatened against AMD Saxonia or AMD Holding which may have a material adverse affect on the assets or ability of AMD Saxonia or AMD Holding to comply with its obligations under the Operative Documents.
- 16.4 AMD Saxonia will inform and keep the Agent informed in a reasonable manner of all circumstances relating to the operations of AMD Saxonia and its other activities as well as its economic situation to the extent required by the Agent or any Bank or to the extent the same may have a material adverse effect on AMD Saxonia's financial position or the viability of the Project. This obligation also applies to circumstances affecting any affiliate of AMD Saxonia and which may materially adversely affect the operations or other activities or economic position of AMD Saxonia or the assets which are the subject matter of the Security Documents.
- 16.5 On any change to the Commercial or Land Registry extracts furnished to the Agent, AMD Saxonia will promptly inform the Agent of the relevant event by providing copies of the documents to be filed with the Commercial or Land Registry and, following filing, AMD Saxonia will provide the Agent with certified copies of the new extracts.

(S) 17
Covenants

- 17.1 [left intentionally blank]
- 17.2 AMD Saxonia will comply in all material respects with all relevant laws and other regulations and administrative directives applicable to it and will on a timely basis comply with all reasonable requirements of the fiscal authorities.

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- 17.3 AMD Saxonia will at all times promptly enforce to the full extent reasonable all its rights under the Operative Documents and at the Agent's

request will take all reasonable steps to so do. AMD Saxonia hereby irrevocably appoints the Agent to take all measures and to enter into all undertakings which the Agent regards as necessary following the occurrence of an event which entitles the Banks to terminate this Agreement.

17.4 AMD Saxonia undertakes to complete the Project in accordance with:

(i) the timetable contained in the Project Schedule (save that the completion date of any Project Phase (other than last) may be deferred for up to six (6) months in aggregate for all such deferrals) provided that Completion shall be no later than 31 December 2000; and

(ii) the Plans and Specifications.

17.5 AMD Saxonia will on a timely basis and to the full extent comply with its obligations pursuant to the Operative Documents and particular, take all steps to enable AMD Inc. and/or AMD Holding to comply with its respective obligations under the Sponsors' Support Agreement, in particular in connection with the increase of AMD Saxonia's ordinary share capital as well as the contribution of other equity capital by the Sponsors. If AMD Saxonia intends not to comply with its obligations pursuant to the Operative Documents it will immediately inform the Agent thereof in writing.

17.6 AMD Saxonia will permit the Agent, the Banks' Auditor and the Technical Advisor as well as all other advisors of the Agent who are bound by a professional duty of confidence at all reasonable times to inspect its properties and to examine the financial and other records of AMD Saxonia and to discuss the affairs of AMD Saxonia and AMD Holding to the extent relevant to this Agreement and the risk position of the Banks hereunder with the management and competent employees. AMD Saxonia will provide unrestricted access to its relevant records and those of AMD Holding and make available a reasonable number of copies thereof at reasonable request. All such inspections and examinations shall be performed in such manner as not to unreasonably disrupt AMD Saxonia's normal business operations and its manufacture of the products described in the preamble to this Agreement.

17.7 AMD Saxonia will at all times maintain proper books of account and prepare its records in accordance with general accepted book keeping and accounting principles in Germany as consistently applied. The balance sheet assumptions will be applied consistently by reference to generally accepted valuation principles.

17.8 AMD Saxonia will at all times maintain insurance which in type (all buildings, machines, other equipment, stock, business interruption, third party liability and the like), scope and amount is at least equal to the insurance cover of a comparable business and which, in addition, satisfies the requirements of the Operative Documents. In particular, AMD Saxonia undertakes to maintain the insurances referred to in Schedule 22 in the

scope and on the terms and conditions therein referred to, save that AMD Saxonia shall be under no obligation to maintain insurance with respect to the risk of

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earthquake and floods, provided that it shall have first furnished to the Agent confirmation with respect thereto in writing from a third party (acceptable to the Agent) in form and substance satisfactory to the Banks and the Guarantors. The persons referred to in Schedule 22 shall be named

in all contracts of insurance as an additional insured and the Security Agent as "loss payee" in accordance with Schedule 22. At the end of each

financial year, AMD Saxonia will furnish to the Agent a complete list of the above insurances for the next succeeding financial year giving the details referred to in Schedule 22 together with confirmation from its

insurance brokers and the Insurance Advisor that AMD's insurance cover complies with the said requirements.

17.9 AMD Saxonia will construct the Plant and the Design Center in such a way as will ensure that the Plans and Specifications are complied with.

17.10 AMD Saxonia will at all times ensure that it has obtained and/or taken and will maintain and/or take on a timely basis all necessary governmental approvals, permits and measures required for performance by it of its obligations under the Operative Documents to which it is party.

17.11 AMD Saxonia will make payment of all fees and other amounts due in connection with the 65/35 Guaranty promptly. The Guarantors through their authorised representatives, C&L Deutsche Revision AG, Dusseldorf, are entitled to payment of one-off and regular fees together with commitment fees and processing fees in connection with the 65/35 Guaranty in

accordance with the following provisions (as a genuine contract for the direct benefit of third parties):

- (i) AMD Saxonia shall after acceptance, and for the duration, of the 65/35 Guaranty pay the following guaranty fees:
- on the issue of the guaranty commitment, 0.25 % of the maximum guaranty amount in relation to the guaranteed indebtedness, whereby the calculation of the fee will be determined in accordance with the drawdowns (in accordance with Section 5 of the Guaranty Decision) so that the fee due on the issue of the documents relating the Guaranty Decision are calculated only by reference to the first drawdown and the first fees due in respect of the following drawdowns are due when such drawdowns are included in the terms of the Guaranty and/or in the case of special guaranty issues on the issue of the Guaranty.
 - following the issue of the guaranty, on 1 April and 1 October of each year in respect of each half year commencing on such dates, 0.25 % of the Guaranty amount outstanding at such times (the maximum amount referred to in the Guaranty in respect of the guaranteed indebtedness less payments of principal).
- (ii) AMD Saxonia undertakes to pay the following amounts to the Guarantors, in the event that the Guarantors shall so request:

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- on any extension of the guaranty commitment, a commitment fee up to an amount of 0.25 % of the extended guaranty commitment,
- in the event of material amendments to a guaranty which has been approved but not yet issued, a processing fee in an amount of up to DM 25,000;

(iii) the processing fee for material amendments to an approved but unissued guaranty is payable to C&L Deutsche Revision AG, Dusseldorf to its Account No. 31 308 12, Westdeutsche Landesbank Girozentrale, Dusseldorf. Other current fees together with the commitment fee are payable to C&L Treuarbeit Deutsche Revision AG, Dusseldorf to their trust account "Bundesminister der Finanzen" Account No.: 30 151 12 at Westdeutsche Landesbank Girozentrale, Dusseldorf quoting the reference number of the guaranty.

17.12 AMD Saxonia undertakes to comply with and to fulfill all covenants and other ancillary requirements applicable to it in connection with the grant of the subsidies. This obligation applies in particular to covenants and ancillary requirements which are dealt with in the SAB/Dresdner Subsidy Agreement and the AMD/Dresdner Subsidy Agreement together with the schedules to these documents. AMD Saxonia also undertakes to ensure that AMD Companies undertake all steps applicable to them under the covenants and other ancillary requirements in connection with the subsidies. AMD Saxonia undertakes furthermore to ensure that all obligations undertaken by it in connection with the granting of other state aid (in particular investment allowances) are fulfilled.

17.13 AMD Saxonia undertakes to enter into the Equipment Supply Contracts and Service Supply Contracts in accordance with the timetable set out in the Project Schedule and to ensure that equipment or goods delivered pursuant thereto are subject to retention of title only to the extent customary and in the ordinary course of business. AMD Saxonia will use its best endeavours to ensure that retention of title arrangements are not entered into with material suppliers and in any event that no current account, group or extended or prolonged retention of title agreements are entered into. The Equipment Supply Contracts entered into by AMD Saxonia shall not in the aggregate require the making of advance payments by AMD Saxonia in excess of an aggregate amount of DM 20,000,000.

17.14 AMD Saxonia undertakes to hedge at least 50 % of all variable interest rate advances with interest rate caps with the Agent or other Banks and to inform the Paying Agent thereof. Any advances for which AMD Saxonia has elected a fixed interest rate pursuant to (S) 6.3 shall be deemed hedged for the purposes of this (S) 17.14. All rights arising out of contracts entered into by AMD Saxonia to hedge interest rate shall be assigned to the Security Agent in accordance with the Global Assignment in the form set out in Schedule 47; to the extent an assignment is not

possible, the Banks shall be granted other appropriate security rights.

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17.15 AMD Saxonia undertakes that, until satisfaction in full of all claims of the Banks under this Agreement, it will not, without the consent of the Agent and, in the case of (ii), (v), (ix) and (x) without the consent of the Guarantors:

- (i) grant in favour of third parties any security as security for its own obligations or those of a third party save as contemplated or permitted by the Operative Documents and save for customary retention of title rights in favour of suppliers permitted pursuant to (S) 17.13. AMD Saxonia's right to further encumber real property already subject to land charges in favour of the Banks shall remain unaffected ((S) 1136 BGB);
 - (ii) incur indebtedness for borrowed money or incur liabilities save for such liabilities contemplated in the Operative Documents and liabilities in the ordinary course of business;
 - (iii) save in respect of the lease agreement in respect of premises at Washingtonstrasse 16 A/B, 01139 Dresden, dated 7/13.08.1996 entered into with Siemens Technopark GmbH Dresden & Co. Grundstücksverwaltung OHG or any extension thereof, incur any other obligations as lessee, save to the extent that such obligations arise under agreements entered into in the ordinary course of business in connection with the operation of the Fabrication Facility and of the Design Center and do not exceed in aggregate more than DM 50,000,000;
 - (iv) establish any subsidiaries or acquire interests in any other undertakings or enter into any merger agreements;
 - (v) dispose of any assets or rights and/or remove such assets from the location of the Fabrication Facility and the Design Center save to the extent (a) contemplated by and permitted in the Operative Documents (b) the disposal is of assets replaced by assets of at least equal or greater cost in the ordinary course of business which are acquired within six months of the sale of the original assets (or such longer period as is reasonably necessary in the light of the market availability of the relevant asset and provided that AMD Saxonia has entered into contractually binding agreements for the replacement of the original assets within three months of the sale of such assets), or (c) the aggregate book value of which does not exceed DM 25,000,000 in any calendar year or (d) the disposal is of assets with an individual acquisition cost of less than DM 50,000 or of stores supplies in the ordinary course of business;
 - (vi) make any loans to or deposit funds with any third party, purchase or acquire securities or other financial instruments, save to the extent the same:
 - (a) are assets held in the bank accounts charged pursuant to (S) 8 or such other accounts opened with the consent of the Agent, which are charged to the Banks,
 - (b) constitute trade credit,
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- (c) constitute the payment of amounts due under the AMD Saxonia Wafer Purchase Agreement in respect of deliveries thereunder, or
 - (d) are bona fide employee loans which are in aggregate not in excess of DM 5,000,000,
 - (e) relate to the payment of amounts in respect of AMD Saxonia's stated capital which shall be transferred promptly to a Project Account pursuant to (S) 19, or
 - (f) are (for the avoidance of doubt) employee salary funds withheld by AMD Saxonia for employees to acquire stock of AMD Inc. in connection with an employee stock purchase plan;
- (vii) make any payments of dividends or other repayment of capital to AMD Holding or to make any other payment AMD Inc. or to any affiliate of AMD Inc., save to the extent such payments are permitted pursuant to Section 3 of the Sponsors' Subordination Agreement, in the form set out in Schedule 30 or Section 6.3 of the Sponsors' Support Agreement;
 - (viii) make payments pursuant to the Operative Documents (and, in particular, not to make any repayment of interest or principal on the Sponsors' Loan) save in accordance with the terms of such Operative Documents;
 - (ix) undertake only business compatible with the purpose set out in the first paragraph of the preamble to this Agreement;

- (x) incur any expenditure (including Capital Expenditure) which is not of the type contemplated in the Operative Documents and which is not incurred in the ordinary course of business;
- (xi) terminate or amend any of the Operative Documents, save for
 - (a) Equipment Supply Contracts which are not Material Equipment Supply Contracts;
 - (b) Service Contracts which are not Material Service Contracts;
 - (c) amendments to the agreement set out in Schedule 39

 (Design/Build Agreement), the Material Equipment Supply Contracts, the Material Service Contracts and the Plans and Specifications which adversely affect the value of the Project, the Fabrication Plant and the Design Center or their purpose, or the production capacity or other characteristics required or agreed in the AMD Saxonia Wafer Purchase Agreement in a manner which is immaterial only and which are in accordance with the Project Budget and the Project Schedule are however permitted without the consent of the Banks;

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- (d) the Project Budget and the Project Schedule which may be amended in accordance with the provisions of (S) 18.
 - (xii) agree to any changes to the articles of incorporation of AMD Saxonia, in particular changes of its fiscal year, or grant any general powers of attorney with respect to the business of AMD Saxonia except as otherwise permitted in the Operative Documents;
 - (xiii) enter into any agreement compliance with which would be contrary to any of the obligations of AMD Saxonia pursuant to the Operative Documents;
 - (xiv) [left intentionally blank]
 - (xv) at any time during the currency of this Agreement manufacture in any quarter microchip silicon wafers containing microprocessors other than general purpose microprocessors and related products in such number as would, prior to Completion, be in excess of 25% or after Completion, be in excess of 35 % of all wafers produced by AMD Saxonia during the relevant quarter.
- 17.16 AMD Saxonia undertakes until the satisfaction in full of all claims of the Banks under this Agreement to ensure that the financial covenants set out in Schedule 17 are complied with at all times and/or to the extent -----
 AMD Saxonia has no direct influence on compliance with such financial covenants, to use its best endeavours to ensure that they are so complied with.
- 17.17 AMD Saxonia undertakes to keep and maintain its fixed and current assets exclusively within the area of the Plant and Design Center shown in Schedules 44 and 45.
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- 17.18 [left intentionally blank]
- 17.19 AMD Saxonia undertakes, as a genuine contract for the direct benefit of third parties, to permit an examination at any time by the Guarantor or an authorised representative of the Guarantor as to whether there is any possibility of a claim being made pursuant to the 65/35 Guaranty or as to whether circumstances exist or have existed which would make such a claim possible. AMD Saxonia furthermore undertakes (as a genuine contract for the direct benefit of third parties) to provide to the Guarantors all information requested by them in connection with the 65/35 Guaranty. AMD Saxonia is aware that the examination and information rights referred to above exist also in favour of the Banks, however, only to the extent such documentation relates to the guaranteed Facilities. AMD Saxonia hereby relieves and discharges the Banks from their duty of confidentiality as against the Guarantors and their authorised representatives, to the extent that the aforesaid rights in favour of the Banks are exercised. AMD Saxonia undertakes, as a genuine contract for the direct benefit of third parties, to bear the costs of all examinations by the Guarantors referred to above.
- 17.20 [left intentionally blank]
- 17.21 AMD Saxonia undertakes not to enter into any confidentiality and non-

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competition undertakings with its employees, officers or contracting parties other than in the form agreed with the Agent prior to entering into this Agreement or save as may be otherwise agreed with the Agent.

17.22 AMD Saxonia will at the request of the Agent use its best endeavours to obtain from any contracting parties a Consent and Agreement, to the extent that such Consent and Agreement is not required to have been already obtained, for contracts required to be assigned to the Banks in accordance with this Agreement or the Security Documents, in the form set out in Part II of Schedule 40 or such other form as shall have been

consented to by the Agent, if the Agent deems the same to be necessary to ensure the unrestricted continuation of the Project in the event of enforcement of its security and AMD Saxonia does not demonstrate the contrary and will make an offer to the Agent enabling it to assume the contract in accordance with the provisions of (S) 3 of the Security Document referred to in Schedule 49.

17.23 AMD Saxonia will make borrowings under the Revolving Loan Facility Agreement (in accordance with the terms thereof):

(i) as and to the extent necessary to comply at all times after 1 July 2001 with the Minimum Liquidity Covenant (taking into account cash then on deposit in the Project Accounts and Cash Equivalent Investments (under and as defined in Schedule 23) then held); and

(ii) as and to the extent and at the times necessary such that AMD Saxonia shall have sufficient funds to finance its general corporate funding requirements, taking into account amounts then available for drawing under Facility A hereunder and other amounts then available to it, including without limitation amounts theretofore paid to AMD Saxonia under the AMD Saxonia Wafer Purchase Agreement.

AMD Saxonia undertakes not to reduce or agree to reduce the Total Revolving Loan Commitment Amount to less than US\$ 500,000,000 (five hundred million US Dollars) without the consent of the Agent.

(S) 18
Project Budget; Project Schedule

18.1 Prior to Completion, the Project will be implemented pursuant to the Project Budget and the Project Schedule.

18.2 Within fourteen (14) days after the end of each Project Phase described in the Project Schedule, AMD Saxonia will furnish to the Agent the Scheduled Project Phase Technical Completion Certificates signed by the AMD Companies and the Technical Advisor in accordance with Schedules 9

and 10 together with a confirmation pursuant to (S) 15.2. At the same

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time, AMD Saxonia will furnish an updated Management Plan

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approved by the Sponsors setting out all projected future Capital Expenditure in connection with the Project. Prior to Completion, AMD Saxonia will consult and agree with the Agent on a timely basis any amendments or variations to the Project Budget or the Project Schedule which it regards as necessary. Project Budgets and Project Schedules amended with the consent of the Agent, who may consult with the Technical Advisor, the Auditor and the Banks' Auditors with regard thereto, shall be regarded as Project Budgets and Project Schedules within the meaning of this Agreement.

(S) 19
Project Accounts

19.1 AMD Saxonia undertakes to ensure that - without prejudice to (S) 17.15 (vi) (e) - all payments under the Operative Documents or otherwise in connection with the Project which are made to it or to be paid by it are effected only through one or more of the accounts maintained with the Security Agent (such accounts herein referred to as "Project Accounts").

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 the purpose of financing Capital Expenditure), 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).

- 19.3 Cash standing to the credit of the Project Accounts may be invested in the securities and assets set out in Schedule 23 which shall be maintained in a

custody account maintained solely with the Security Agent forming part of a Project Account or in other custody accounts opened with the consent of the Agent and charged to the Banks.
- 19.4 [left intentionally blank].
- 19.5 The Banks shall be entitled to set off any claims due against AMD Saxonia against the amount standing to the credit of any of the Project Accounts; it shall be sufficient for this purpose for the Agent to issue a declaration of set off.
- 19.6 All credits securities and assets standing to the credit of the Project Accounts shall be charged in favour of the Banks as security for their claims under this Agreement pursuant to (S) 8.

(S) 20
Consent of the Banks

- 20.1 In all cases in which AMD Saxonia requires the consent of the Agent, the Security Agent or the Banks pursuant to the provisions of this Agreement, the Agent, the Security Agent and/or the Banks shall be entitled to withhold their consent only if the legal or

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risk exposure of the Banks would otherwise be affected in a manner which is material. In this regard circumstances shall be regarded as material which relate, in particular, to:

- (i) the interests of the Banks in receiving payments under this Agreement and the other Operative Documents in a timely and complete manner or which would affect their ability to realise sufficient proceeds from the realisation of security;
 - (ii) the shareholding structure of AMD Inc. AMD Holding and AMD Saxonia;
 - (iii) the obligations of the Sponsors pursuant to the Sponsors' Support Agreement;
 - (iv) the viability of the Project by reference, in particular, to the obligations of AMD Inc. under the AMD Holding Wafer Purchase Agreement and the AMD Holding Research, Design and Development Agreement in the form set out in Schedule 34 or AMD Holding under

the AMD Saxonia Wafer Purchase Agreement and the AMD Saxonia Research, Design and Development Agreement in the form set out in Schedule 36; or

 - (v) the compliance in full or the ability to comply with the conditions of the Guaranty Decision, the 65/35 Guaranty and the AMD/Dresdner Subsidy Agreement.
- 20.2 Each consent of the Banks shall be in writing. The parties agree that the consent of the Banks shall not be deemed to have been given unless expressly given in writing and that consents should be given on a timely basis taking into account the interests of AMD Saxonia and the other Banks. The Agent shall be authorised to give such consent unless such consent relates to the duties of the Paying Agent. In such case, the Paying Agent may give such consent.

(S) 21
Termination of the Facilities by the Banks

- 21.1 The Banks shall be entitled to terminate the Facilities for good cause, in whole or in part, and without notice or subject to such notice as they may determine and,
- (i) to refuse to make available to AMD Saxonia advances under the Facilities and/or
 - (ii) to require the immediate repayment of all outstanding advances together with accrued interest and other fees and amounts payable by AMD Saxonia pursuant to this Agreement and/or
 - (iii) to require the payment of damages including any loss of profit pursuant to (S) 12 which the Banks may suffer following termination between the time of termination and the expiry of the relevant Interest Period and/or

(iv) to realise the security granted by AMD Saxonia,

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21.2 There shall be good cause for termination within the meaning of the aforesaid (S) 21.1 and of (S) 19 of the General Terms and Conditions of the Agent, in particular, if any of the following events has occurred and is continuing and if in the opinion of the Banks, exercising the standard of care customary in commercial relations, the legal or risk position of the Banks is materially adversely affected thereby:

- (i) AMD Saxonia shall be in default in any payment of interest or principal under this Agreement for more than three months;
- (ii) the information provided by AMD Saxonia in respect of its financial position is incorrect or incomplete in any material respect;
- (iii) AMD Saxonia, AMD Inc. or AMD Holding ceases payment of its creditors or composition, insolvency or similar proceedings are applied for in respect of all of the assets of AMD Saxonia, AMD Inc. or AMD Holding or a material part of the assets of AMD Saxonia, AMD Inc. or AMD Holding are subject to mandatory attachment - and which in the case of involuntary proceedings or attachment against AMD Inc. have not been fully discharged within 60 days - or AMD Saxonia, AMD Inc. or AMD Holding enters into negotiations with respect to any extra-judicial composition proceedings;
- (iv) AMD Saxonia, AMD Holding or AMD Inc. are in default of any payment due to the Banks pursuant to the Sponsors's Support Agreement or any other Operative Document for more than five (5) Banking Days following receipt of written notice of default;
- (v) the Facilities are not used for the purposes set out in (S) 3;
- (vi) any representation and warranty pursuant to (S) 15 including any deemed repetition thereof, was incorrect in any material respect at the time it was given;
- (vii) any condition precedent for utilisation of the Facilities pursuant to (S) 5 subsequently ceases to be complied with without the previous consent of the Banks;
- (viii) any of the obligations or covenants pursuant to (S) (S) 17 or 18 are breached, whether or not as a result of action by AMD Saxonia, and cannot be complied with or remedied or, to the extent the breach is capable of remedy, the breach is not remedied within seven (7) Banking Days after the Agent has given AMD Saxonia written notice thereof;
- (ix) AMD Holding or AMD Inc. does not comply with any material provision of the Sponsors' Support Agreement, the Sponsors' Loan Agreement in the form set out in Schedule 29, as amended, the Revolving Loan

Facility Agreement or of the other Operative Documents to which it is a party and, to the extent, the breach is capable of remedy, and, is not remedied within seven (7) Banking Days after the Agent has given written notice thereof; Articles I and III and

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Sections 4.1, 4.3, 6.2, 13.1 (i) (a) to (d) and (f), 13.1 (iii), 13.2., 13.3., 13.4 (i) to (viii) and 13.5 of the Sponsors' Support Agreement shall without prejudice to the generality of the foregoing be regarded as material;

- (x) if AMD Inc. undertakes a "Stock Offering" within the meaning of the Sponsors' Support Agreement in the Fiscal Year 1998 and, if permitted under the Indenture referred to in (S) 21.2 (xvi) of this Agreement (without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof), AMD Inc. fails to contribute the full amount of the "Class C Sponsors Loans" within the meaning of the Sponsors' Support Agreement forthwith following receipt of proceeds from the "Stock Offering" referred to above; the events referred to in (ix) above shall remain unaffected;
- (xi) AMD Saxonia is in breach of any material provision of this Agreement, the Security Documents, the AMD Saxonia Research, Design and Development Agreement in the form set out in Schedule 36 or the

AMD Saxonia Wafer Purchase Agreement;
- (xii) any of the Operative Documents is or becomes invalid or unenforceable or its validity or enforceability is challenged by AMD Saxonia or any of the Sponsors;

- (xiii) receivership, composition or insolvency proceedings against the assets of the contractor for the Fabrication Facility and the Design Center or against a supplier are commenced or there is a material adverse change in the financial position of such general contractor or such supplier and any such event could reasonably be expected to have a material adverse effect on the Project, unless AMD Saxonia has cured the relevant event by entering into adequate substitute arrangements satisfactory to the Agent within 45 days;
- (xiv) a material adverse change in the financial condition of AMD Saxonia, AMD Holding or AMD Inc., or AMD Inc. on a consolidated basis, and as result there is likely to be a material adverse effect on the Project;
- (xv) AMD Saxonia, AMD Holding or AMD Inc. are in default with any payment obligation in favour of a third party in an aggregate amount of more than DM 15,000,000;
- (xvi) the occurrence of an "Event of Default" within the meaning of the Loan and Security Agreement of 13 July 1999, as amended, between, inter alia, AMD Inc. and Bank of America National Trust & Savings Association as "Administrative Agent" or there is an "Event of Default" within the meaning of the Indenture of 1 August 1996, as amended, between AMD Inc. and United States Trust Company of New York as "trustee";

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- (xvii) any action under this Agreement requiring consent is undertaken without the necessary consent unless the refusal to grant consent is unlawful or in contravention of the terms of this Agreement;
- (xviii) the insurances to be maintained pursuant to (S) 17.8 are not maintained in full force and effect;
- (xix) any material governmental approvals, consents or permits are not granted, are revoked or are made subject to conditions or if any governmental regulations or decrees are passed relating to the Project which will prejudice the viability of the Project and which are not either set aside by adequate action of AMD Saxonia to discharge the effects of such regulations or decrees or if AMD Saxonia has not suggested a course of action reasonably satisfactory to the Agent within 30 days thereof;
- (xx) any statement made to the Banks by AMD Saxonia, AMD Holding or AMD Inc. in connection with the Project is inaccurate or incomplete in any material respect to the extent that such statement is of material significance for the viability of the Project or for the compliance by AMD Saxonia, AMD Holding or AMD Inc. with its obligations under the Operative Documents;
- (xxi) AMD Saxonia ceases to be a wholly owned subsidiary of AMD Holding or AMD Holding ceases to be a wholly owned subsidiary of AMD Inc.
- (xxii) AMD Saxonia's ordinary share capital is not fully paid in by 31 December 1997 in an amount of at least DM 217,500,000 or subordinated shareholder loans or Revolving Loans or equity are or is, as the case may be, not made available in accordance with the Sponsors' Support Agreement and/or the Revolving Loan Facility Agreement.
- (xxiii) projections in the current Management Plan (delivered pursuant to (S) 16.2.2) show that AMD Saxonia will be unable, at any time during the period from the date of such Management Plan to 31 December, 2005, to comply with the Minimum Liquidity Covenant, after taking into account:
 - (a) the Available Revolving Loan Facility Amount; and
 - (b) other cash resources available to AMD Saxonia,unless within 10 Banking Days after receipt of written notice from the Agent, AMD Inc. provides the Agent with such evidence as shall be reasonably satisfactory to the Banks in the exercise of their due discretion with respect to the ability of AMD Inc. and AMD Saxonia to fund the amount necessary to ensure compliance with the Minimum Liquidity Covenant as aforesaid.
- (xxiv) the terms or conditions of the 65/35 Guaranty or of the Guaranty Decision or the Subsidy Agreement are not complied with or breached or the 65/35 Guaranty is no longer available in full, or investment or interest grants or

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investments subsidies or other material state assistance is not available in the amount promised and AMD Inc. does not make available compensation pursuant to the Operative Documents, or AMD Saxonia, AMD Holding or AMD Inc. breaches the terms and conditions of other state assistance material to the Project and as a result thereof it is likely that the same will not be available in their full amount or are revoked or cancelled;

- (xxv) [left intentionally blank]
- (xxvi) any of financial covenants set out in Schedule 17 are not complied

with;
- (xxvii) the Agent becomes aware that AMD Saxonia has breached any other material contractual obligations;
- (xxviii) other circumstances occur or become known which may prejudice the ability of AMD Saxonia to repay the Facility;
- (xxix) the Agent has not received by 31 March 2000 written confirmation from the Technical Advisor to the effect that the conditions required for Completion in the Technical Completion Certificate (Technical Advisor) as set out in Schedule 10 can be satisfied

prior to 31 December 2000.

The Banks shall not be entitled to rely upon any of the aforesaid events if the circumstances giving rise thereto have been remedied within ten (10) Banking Days following receipt of written notice from the Agent. This shall not apply to the events referred to in (i), (ii), (iii), (viii) (ix), (x), (xiii), (xiv), (xvii), (xviii), (xx), (xxi), (xxii), (xxvi) above. The Agent will consult with the Guarantors before terminating on the grounds of the Events of Default referred to in (viii) and (xv) and (xxiii). Termination on the grounds of the Event of Default referred to in (xxv) is permitted only in agreement with the Guarantors.

(S) 22
Agency Provisions

- 22.1 The Banks have agreed to participate in the profits and risks of the Facilities in the form of a disclosed consortium. Any joint and several liability, the Banks is excluded; each Bank is liable only for the relevant commitment undertaken by it pursuant to (S) 2 and Schedule 1. Each Bank

shall immediately inform the Agent in respect of any breach of the Operative Documents of which it becomes aware. A corresponding obligation shall apply to the Agent in the performance of its duties pursuant to (S) 22.3.
- 22.2 The Agent is acting on behalf of the Banks under this Agreement. The Banks hereby appoint the Agent to act on their behalf as Agent in relation to the rights and obligations of the Banks under this Agreement, with exception of rights and obligations pursuant to (S) 24, and the other Operative Documents pursuant to the terms thereof under the following terms and conditions. Each of the Banks hereby irrevocably authorizes the Agent to give on their behalf all contractually binding declarations in connection with

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the implementation in this Agreement and the other Operative Documents and to pursue their rights and obligations in accordance therewith. The Agent shall be exempted from the restrictions of (S) 181 BGB. The Agent shall be authorised to delegate authority to entities within its group or to persons subject to a professional duty of confidence and revoke the same free from any restrictions pursuant to (S) 181 BGB. Dresdner Bank AG shall in its capacity as house bank pursuant to the Subsidy Agreements, exercise its rights thereunder exclusively in accordance with the terms of such agreements.

- 22.3 In addition, the Agent shall have the following duties:
 - 22.3.1 verification of satisfaction of the conditions precedent pursuant to (S) 5.
 - 22.3.2 negotiations with AMD Saxonia and the Sponsors as well as changes and additions to this Agreement and the other Operative Documents including any changes to the method of payment;
 - 22.3.3 prompt circulation to the Banks of Drawdown Notices submitted by AMD Saxonia to the Agent (together with confirmation from the Agent that it has received the documents to be furnished pursuant to (S) 4.1.1 (i) -

(iii) and (S) 4.1.2 (i) - (iii), as the case may be), as well as circulation to each of the Banks of the documents to be furnished by AMD Saxonia or in individual cases, required by the Banks or any of them pursuant to (S) 16 and other information which is required to be circulated to all the Banks in accordance with the terms of this Agreement or the Operative Documents;

- 22.3.4 prompt notification of the Banks of all material circumstances coming to the attention of the Agent in connection with the implementation of this Agreement which affect the enforcement of the rights of all or any of the Banks such as in particular the occurrence of an event pursuant to (S) 21;
- 22.3.5 distribution of all requisite information in connection with the 65/35 Guaranty to the Guarantors and consultation with them;
- 22.3.6 the convening and conduct of meetings of the Banks;
- 22.3.7 implementation of resolutions of the Banks;
- 22.3.8 monitoring of compliance with the provisions of this Agreement and the other Operative Documents without prejudice to the obligations of the Banks pursuant to (S) 22.1, sentence 3;
- 22.3.9 instruction of, and consultation with, the Technical Advisor, the Insurance Advisor, the Banks' Auditor and other advisors, for example lawyers.
- 22.4 If the Agent issues a material instruction within the meaning of (S) 22.3.4 each Bank, including the Agent, shall be entitled to require the convening of a meeting of the consortium. In addition, a meeting of the consortium can be required at any time by 25% of the votes of the Banks. Convening of the meeting shall be made in writing, by telex or by fax, setting out the agenda and subject to five (5) Banking Days notice or in urgent

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cases with such notice as is appropriate to the urgency of the matter. Meetings shall take place in Frankfurt am Main or such other location as is mutually agreed. Resolutions may be passed by way of written resolution if in the Agent's opinion, given the nature of the matter to be determined, a written resolution is appropriate and the Banks do not decline a written resolution procedure pursuant to the majority of Banks (in accordance with (S) 22.6).

- 22.5 Each Bank shall have voting rights corresponding to the amounts drawn under the commitments made available by it, or if the Facilities have not been drawn, corresponding to its respective commitment pursuant to (S) 2.1 and Schedule 1. Only those Banks represented in meetings -

including Banks authorised by written proxy on behalf of other Banks - shall be entitled to vote. In respect of written resolutions, account shall be taken only of those votes of the Banks whose written response to the matter to be voted on has been received before the expiry five (5) Banking Days after dispatch of the resolutions by the Agent and whether received as an original or by telex or telefax. Abstentions will not be counted. Resolutions shall be binding on the Agent as between the members of the consortium inter se.
- 22.6 Resolutions of the Banks relating to amendments to the provisions of this (S) 22, changes of the amounts due to the Banks pursuant to the provisions of this Agreement or any other Operative Agreement, or any amendment to the due date relating to payment obligations of AMD Saxonia, the release of the land charge referred to in (S) 8.1.6 or the waiver - in whole or in part - of rights under the 65/35 Guaranty require the consent of all the Banks. Resolutions relating to the termination, in whole or in part of this Agreement or the commencement of legal proceedings or administration, composition or insolvency proceedings against AMD Saxonia, AMD Holding or AMD Inc. or to changes to the Security Documents or the payment obligations of the Sponsors pursuant to the terms of the Sponsors' Support Agreement or the release and realisation of securities (other than referred to in the first sentence of this clause) require a majority of 75 % of the votes of the Banks. In addition a majority of 75 % of votes of the Banks is required for resolutions which concern:
 - (i) a decision of the Banks pursuant to (S) 21;
 - (ii) the consent of the Banks to any change of the AMD Saxonia Wafer Purchase Agreement, the AMD Holding Wafer Purchase Agreement, the AMD Saxonia Research, Design and Development Agreement (Schedule 36), the AMD Holding Research, Design and Development Agreement (Schedule 34), the Management Service Agreement (Schedule 37) and the License Agreement (Schedule 38);

(iii) the consent of the Banks to any change of the Project Budget or the Project Schedule or the Drawdown Schedule;

(iv) a change in the Technical Advisor, the Insurance Advisor, the Auditor, the Banks' Auditor or any other advisor of the Banks, and

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(v) a waiver of any of the conditions to drawing.

Otherwise, resolutions shall be passed with a majority of the votes of the Banks; this applies in particular to resolutions which concern the consent of the Banks pursuant to (S) 20 or the approval of the Plans and Specifications or any changes thereto.

22.7 The Agent undertakes to consult with the other Banks prior to taking any material decisions or steps pursuant to the terms of this Agreement. At the request of the Banks, the Agent undertakes to furnish further information in respect of particular issues and to obtain such information from the AMD Companies pursuant to (S) 16.4 of this Agreement or the provisions of the Operative Documents. In urgent cases, the Agent may make determinations within the proper exercise of its discretion without obtaining a resolution of the Banks. In such case, the Agent will immediately inform the other Banks of the measures taken by it. To the extent that the relevant measures can be revoked and the Banks pass a resolution for such revocation, the Agent shall undertake all steps to revoke the measures taken by it.

22.8 Each of the Banks (including the Agent) shall comply with its obligations under this Agreement and under the other Operative Documents with the customary care and attention pursuant to (S) 347 HGB. The Agent shall not assume any additional liability in particular with reference to the legality, enforceability or value of the claims of the Banks and all the security. Without prejudice to its other obligations pursuant to this Agreement, the Agent is not obliged on its own volition to undertake inquiries or investigations with respect to breaches of this Agreement or as to the existence of any grounds for termination.

22.9 Each of the other Banks agrees to hold harmless and indemnify the Agent in respect of all claims or obligations which arise or are asserted against the Agent in the implementation of this Agreement save to the extent the same arise from the Agent's gross negligence or wilful default and to compensate it for expenses incurred and not otherwise reimbursed. The amount of the indemnity and/or the obligation to compensate costs shall correspond to the commitments of each of the Banks in respect of the Facilities. Costs will be paid to the Agent on first demand in proportion of the commitments of the other Banks.

22.10 Each Bank confirms that it has independently verified the creditworthiness of AMD Saxonia and the Sponsors and all Operative Documents and all other documents relating thereto in all respects and independently. If any Bank is of the opinion that the documents made available to it in connection with the Operative Documents do not comply with the contractual requirements such Bank shall be obliged to inform the Agent immediately thereof.

22.11 The Agent is entitled, on giving 60 days' notice, to transfer its rights and obligations as Agent to the Paying Agent. Resignation by the Agent from its role as Agent is possible only subject to 60 days(S) notice. If the Banks have not passed a resolution with the required majority (according to (S) 22.6) by the seventh Banking Day before the end of this period, the Agent shall appoint as its successor a Bank resident in Germany. The

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Agent may be dismissed with a majority of at least 75 % of the votes of all the Banks. It shall be a condition of the Agent's dismissal that the function of the house bank within the meaning of the Subsidy Agreement and the function of the Paying Agent is assumed by another bank or financial institution. The Banks will consult with AMD Saxonia in advance in respect of any change in the Agent.

(S) 23

Administration of Security

23.1 The Banks hereby irrevocably authorise the Security Agent, free from the restrictions pursuant to (S) 181 BGB, to enter into all agreements necessary for the granting of the accessory security. Without prejudice to the restrictions governing the relationship of the members of the Bank consortium inter se the Security Agent is further authorised to enter into all necessary agreements for the granting of security

pursuant to (S) 8 in their name, to amend and to supplement the same and to exercise all rights of control, administration and disposition arising under the Security Documents also in relation to the accessory security in its own name and free from the restrictions set out in (S) 181 BGB. As between the Banks (internally), a resolution passed with a majority of 75 % of the votes of the Banks shall be required in respect of the release of any security, whether in whole or in part save to the extent unanimity is required pursuant to (S) 22.6. The Security Agent shall be released from all restrictions pursuant to (S) 181 BGB in connection with all action taken in respect of the security.

- 23.2 The Security Agent shall be authorised to delegate administration of the security to another financial institution and to undertake all steps in relation thereto in the name of the other Banks. The provisions of this (S) 23 shall apply in their entirety to any successor of the Security Agent. The Security Agent shall be liable to the other Banks only for the exercise of due care and attention in the selection of a successor. The Security Agent will inform AMD Saxonia and the Banks in writing prior to any transfer of its administrative duties and consult with AMD Saxonia and the Banks concerning the transfer of such duties. The Security Agent can be dismissed by way of resolution passed with a majority of 75 % of the votes of the Banks provided that steps are taken to ensure that the administration of the security is assumed by another bank or financial institution.
- 23.3 Each Bank shall be entitled at any time to require information from the Security Agent relating to the administration of the security. Without prejudice thereto, the Security Agent shall in any event keep the other Banks informed thereof in accordance with the proper exercise of its discretion. In addition, the provisions of the German Civil Code relating to the relationship of agents ((S)(S) 662 et seq. BGB) shall apply to the relationship between the Security Agent and the other Banks.
- 23.4 The Security Agent shall not be liable or responsible for the validity and enforceability of the Security Documents nor shall the Security Agent assume any liability as to whether the relevant status of the security is sufficient to secure the claims of the Banks under this Agreement. In this context, each Bank shall be responsible for examining the

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documentation delivered to it and shall inform the Security Agent of any concerns it may have so that any such concerns may be taken account of by a mutually acceptable arrangement.

- 23.5 The Security Agent will perform its obligations in relation to the administration of the security with the customary standard of care in accordance with (S) 347 HGB. The Security Agent shall not bear any liability in respect of possible shortfalls which may arise as a result of a breach of their obligations by any of the obligors under the Security Documents. Each Bank hereby agrees to indemnify and keep harmless the Security Agent with respect to all claims which may arise or be made against the Security Agent arising from the proper acceptance and administration of the security, save to the extent the same arise from the Security Agent's gross negligence or wilful default and to indemnify the Security Agent in respect of any costs incurred by it and not otherwise reimbursed, in each case in proportion in which the individual commitments of the relevant Banks bear to the Facilities. The Security Agent shall be reimbursed for all costs on first demand in accordance with the commitments of the Banks.
- 23.6 Realisation of the security granted pursuant to the Operative Documents shall be effected to the extent such security is non-accessory security by the Security Agent in its own name but for the account of the Banks. The Security Agent is hereby authorised to realise the accessory security in its own name and in the name and on behalf of the other Banks.
- 23.7 The Banks shall agree by way of resolution passed with a majority of 75 % of their votes on measures to implement any realisation of the security. However, in urgent cases the Security Agent may make such decisions unilaterally in accordance with the proper exercise of its discretion; in such event, the Security Agent will immediately inform the other Banks of the steps taken. In the event that unanimity is not achieved, the Banks will determine the relevant steps to be taken for realisation by way of majority decision (in accordance with (S) 22.6). In all other respects, the conditions for or procedure of realisation of security shall be as set out in the individual Security Documents.
- 23.8 Proceeds from the realisation of security shall be distributed in the following order of priority:
- (i) in satisfaction of the costs and other expenses of the Agent,

including any taxes incurred by the Agent in the administration and realisation of the security pursuant to its obligations hereunder;

- (ii) in payment of accrued interest; and
- (iii) in payment of the claims of the Banks under the Facilities in accordance with this Agreement, and in satisfaction of any other claims of the Banks under or in connection with the Operative Documents pro rata in accordance with the outstanding advances of the Banks.

The Guarantors shall, without prejudice to the first right of satisfaction in favour of the Banks as security for their shortfall risk, be subrogated by operation of law to the relevant portion of the guaranteed claims which is secured pro rata by the security granted in respect thereof. To the extent the security does not pass to the Guarantors by operation of law, the same shall be transferred pro rata to the Guarantors following payment by them.

Any remaining amount not otherwise required out of the proceeds of realisation of the security shall be paid to AMD Saxonia.

Subject to the consent of the Guarantors, the Banks shall be entitled to amend the above order of distribution at any time.

- 23.9 AMD Saxonia has agreed to pay to the Security Agent a fee in respect of the administration of the security by it in an amount and on terms as to payment set out in a letter of even date between AMD Saxonia and the Security Agent.

(S) 24
Paying Agent

- 24.1 The Paying Agent is hereby appointed with the duties of the Paying Agent in respect of all rights and obligations of the Banks under this Agreement and the other Operative Documents subject to the following terms and conditions. The Banks hereby irrevocably appoint the Paying Agent to do all acts and things in connection with the making of payments under this Agreement and the other Operative Documents and to give all necessary statements and declarations in their name and to enforce and undertake all things on their behalf to the extent the same have not been delegated to the Agent. The Paying Agent is exempted from the restrictions of (S) 181 BGB. The Paying Agent is authorised to delegate authority and to revoke the same free from the restrictions of (S) 181 BGB.
- 24.2 The Paying Agent will exercise the standard of care customary in commercial relations in accordance with (S) 347 HGB in the performance of its obligations under this Agreement and the other Operative Documents.
- 24.3 The Banks hereby undertake to make available the relevant amounts of advances to be made available by them as requested by the Paying Agent in accordance with (S) 4 by 11.00 a.m. (London time) at the latest on the drawdown date and make the same available to the account notified to them by the Paying Agent. The Paying Agent will make available to AMD Saxonia the amounts so provided with value for the same day.
- 24.4 The Paying Agent will pay to the Banks all interest, payments of principal and other payments due to the Banks pursuant to this Agreement on the relevant due date and to the accounts notified to the Paying Agent by individual Banks. To the extent that amounts are paid to the Banks without the Paying Agent having received a

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corresponding payment in full from AMD Saxonia on the same day, the Paying Agent may debit the relevant Bank accordingly.

- 24.5 AMD Saxonia shall pay to the Paying Agent in respect of the performance of its duties under this Agreement a fee, the amount and the terms as to payment of which are set out in a letter of even date from the Paying Agent to AMD Saxonia.
- 24.6 The Banks hereby undertake to hold harmless and to indemnify the Paying Agent against all claims which may arise or be made against the Paying Agent in connection with the performance of its duties under this Agreement, save to the extent the same arise from the Paying Agent's gross negligence or wilful default and to reimburse all expenses borne by the Paying Agent and not otherwise reimbursed. Each Bank shall indemnify the Paying Agent and reimburse costs in an amount equal to the commitment of the relevant Bank under the Facilities. All costs shall be payable to the Paying Agent on first demand and in accordance with the commitments of the Banks.

- 24.7 The Paying Agent may resign on 60 days' notice. If no resolution of the Banks has been passed by the seventh Banking Day before the expiry of such notice period in respect of a successor to the Paying Agent with the required majority (in accordance with (S) 22.6) the Paying Agent shall be entitled to appoint as its successor a credit institute domiciled in Germany or Luxembourg. The Paying Agent can be dismissed by way of resolution passed with a majority of 75 % of the votes of the Banks provided that steps are taken to ensure that the administration of the security is assumed by another bank or financial institution.
- 24.8 The department of the Paying Agent shall, with regard to the assumption of the paying agent's duties for the Banks, be regarded as a entity separate from the Paying Agent's other departments.

(S) 25
Costs

- 25.1 AMD Saxonia shall bear all expenses, fees and other external costs incurred by the Agent, the Paying Agent and the Security Agent in connection with the preparation, amendment and implementation of the Operative Documents and the granting of the security and/or perfection including in particular the reasonable costs of the Technical Advisor, the Insurance Advisor and the Banks' Auditor and the reasonable fees, costs and expenses of auditors and lawyers instructed by the Agent in connection with the verification, valuation, administration and realisation of the security or otherwise in connection with the Operative Documents. AMD Saxonia's obligations to reimburse costs shall also remain unaffected in those cases in which the Banks have paid the costs of the parties referred to above pursuant to such Banks' obligations to indemnify or otherwise reimburse such costs.
- 25.2 In the event of any payment received by a Bank either as a result of set off by such Bank or by AMD Saxonia or as a result of any other performance by AMD Saxonia as a result of which such Bank's claims are paid in excess of the proportion due to it in respect of

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its commitments in (S) 2 and Schedule 1, such Bank shall be obliged to

make a payment to the Paying Agent for the account of the other Banks such as to place such other Banks in the position they would have been in had they received payment in proportion to their Commitments pursuant to (S) 2 and Schedule 1. To the extent any Bank pays such excess amount

to the other Banks, such Bank shall have a claim against AMD Saxonia in an amount equal to the excess. This provision shall apply to any payment received from or on account of AMD Saxonia. This provision does not, however, apply in favour of a Bank which declined to participate in proceedings initiated by the other Banks which have led to successful claims being made under the Operative Documents. If any Bank is obliged to repay to AMD Saxonia any amount received from any of the other Banks, the other Banks shall be obliged to repay the amounts received by them to the Bank obliged to repay.

(S) 26
Assignment; Sub-participations

- 26.1 The Banks are not entitled prior to 1 July 2001 to assign, whether in whole or in part, their rights under this Agreement. Assignments and sub-participations to affiliated companies within the meaning of (S) 15 of the Stock Corporation Act are permitted at any time - to the extent not made by a Bank in Germany to an enterprise outside Germany - as well as assignments to third parties following termination of this Agreement. After 1 July 2001, the Banks are entitled to assign their rights and claims under this Agreement with the consent of AMD Saxonia and the Agent, which consent may be withheld only for good cause. Each Bank is entitled moreover at any time to grant sub-participations to other banks or credit institutions in an amount up to 50 % of its respective commitment on and subject to the following terms and conditions:
- (i) sub-participations require the consent of AMD Saxonia and the Agent. Consent may be withheld only for good cause;
 - (ii) the sub-participant shall not be granted rights as against AMD Saxonia or as against the other Banks and no contractual relationship between the sub-participant, AMD Saxonia or the other Banks shall be permitted to exist;
 - (iii) implementation of this Agreement shall be effected exclusively as between AMD Saxonia, the Agent and the Paying Agent and/or the relevant Bank.

27.1 The failure by any of the Banks to exercise any of their rights hereunder, (whether in whole or in part), in particular any failure to exercise their right to terminate this Agreement, shall not constitute a waiver by the Banks of such right nor shall they be estopped from doing so. All rights pursuant to this Agreement shall have effect

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individually and without prejudice to any other rights at law or under contract in favour the Banks.

27.2 All amendments and supplements to this Agreement and the other Operative Documents must be in writing unless they are required by law to be notarially certified. This requirement shall apply also to any amendments, release or waiver of the requirement for such written form as well as all consents of the Banks contemplated under this Agreement.

27.3 The provisions of (S) 22 to 24 and all rights and duties relating thereto may be amended without the consent of AMD Saxonia this shall not apply to the provisions set out in the last sentence of each of (S) 22.11 and (S) 23.2.

27.4 The invalidity or unenforceability of one or more provisions of this Agreement shall not affect the remaining provisions of this Agreement. The invalid or unenforceable provision shall be substituted by a provision which approximates most closely to the economic purpose of the void or unenforceable provision.

27.5 AMD Saxonia shall not be entitled to assign its rights under this Agreement to any third party or to dispose of such rights in any other way without the prior written consent of the Banks.

27.6 Each of the Banks shall inform the Agent with a copy to the Paying Agent at least five (5) Banking Days prior to any change in its Lending Office.

27.7 All correspondence or notifications under in connection with this Agreement shall be served personally at the following addresses (or such other address notified in writing by the recipient to the other party) or by registered letter, courier or fax:

to the Agent and Paying Agent:

Dresdner Bank Luxembourg S.A.
26, rue due Marche-aux-Herbes
L-2097 Luxembourg
Attention: Direktion
Facsimile No.: (352) 4760 824

to the Banks:

Dresdner Bank AG
Ostra Allee 9
01067 Dresden
Attention: Betreuung Unternehmenskunden
Facsimile No.: (49) 351 489 1300

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Kreditanstalt für Wiederaufbau
Palmengartenstrasse 5 - 9
60325 Frankfurt am Main
Attention: Abteilung K II a
Facsimile No.: (49) 69 74 31 2944

DG Bank Deutsche Genossenschaftsbank
Am Platz der Republik
60325 Frankfurt am Main
Attention: Herrn Lothar Ferber-Hammeke/Frau Ute Suffrian
Facsimile No.: (49) 69 7447 6098

Landesbank Baden-Württemberg
Königstrasse 3-5
70144 Stuttgart
Attention: Herrn Jürgen Prockl (Corporate Finance)

Sachsen LB Landesbank Sachsen
Girozentrale
Humboldtstr. 25
04105 Leipzig

Attention: Herrn Dr. Carlhans Uhle
Facsimile No.: (49) 341 97 93 139

Bayerische Landesbank
Girozentrale
Briennerstrasse 20
80333 Munchen
Attention: Frau Birgit Stuper
Facsimile No.: (49) 89 2171 3334

HypoVereinsbank Luxembourg Societe Anonyme
4, rue Alphonse Weicker
L-2099 Luxembourg
Attention: Herrn Erwin Moos
Facsimile No.: (352) 4272 4510

BHF-Bank Aktiengesellschaft
Niederlassung Leipzig
Kathe-Kollwitz-Str. 52
04109 Leipzig
Attention: Herrn Klaus Berthold/Frau Peggy Kuhnast
Facsimile No.: (49) 341 4654 150

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Commerzbank AG
Filiale Dresden
Devrient Strasse 3
01067 Dresden
Attention: Herrn Christoph Hense
Facsimile No.: (49) 351 484 9200

Deutsche Postbank AG
(formerly: DSL Bank Deutsche Siedlungs- und Landesrentenbank)
Friedrich-Ebert-Allee 114-126
53113 Bonn
Attention: Herrn Oliver Radermacher

Hamburgische Landesbank
Girozentrale
Gerhard-Hauptmann-Platz 50
20095 Hamburg
Attention: Herrn Gasser/Herrn Rebber
Facsimile No.: (49) 40 3333 3037

IKB Deutsche Industriebank AG
Wilhelm-Botzkes-Strasse 1
40474 Dusseldorf
Attention: Herrn Jorg Hillmann, Telefax: 0211-8221-2256
Frau Katharina van der Sant, Telefax: 0211-8221-2020

Landesbank Rheinland-Pfalz
Girozentrale
Grosse Bleiche 54 - 56
55098 Mainz
Attention: Herrn Ulrich Voepel/Herrn Lothar Ayasse
Facsimile No.: (49) 6131 13 2599

ABN AMRO Bank (Deutschland) AG
Niederlassung Berlin
Unter den Linden 42
10105 Berlin
Attention: Herr Axel Huck
Facsimile No.: (49) 30 20 24 92 95

Creditanstalt AG
Wasagasse 2
A-1090 Wien
Attention: Herrn Dr. Martin Frank
Facsimile No.: (43) 1 310 05 54

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The Sumitomo Bank, Limited, Dusseldorf Branch
Immermannstrasse 14 - 16
40210 Dusseldorf
Attention: Herrn Wienke
Facsimile No.: (49) 211 3619 277

Bank Austria Creditanstalt Deutschland AG
Brienner Strasse 9
80333 Munchen
Attention: Herrn Huber

to AMD Saxonia:

AMD Saxony Manufacturing GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsführer
Facsimile No: (49) 351 277 91300

to the Security Agent

Dresdner Bank AG
Ostra Allee 9
01067 Dresden
z. Hd.: Betreuung Unternehmenskunden
Telefax: (49) 351 489 1300

- 27.8 The German language counterpart of this Agreement is binding.
- 27.9 To the extent this Agreement does not provide to the contrary this Agreement shall be governed by the General Terms and Conditions of the Agent set out in Schedule 62, save that all references to a "Bank" shall -----
be deemed to be references to the "Banks" within the meaning of this Agreement and all references to a "customer" shall be deemed to be references to AMD Saxonia.
- 27.10 All press statements or other announcements relating to this Agreement shall require the prior written consent of the Agent which consent shall not be unreasonably withheld. The withholding of consent by the Agent shall be deemed to be unreasonable to the extent that the disclosure of information relating to this Agreement is required by any law, regulation or official requirement or as required by any recognised securities supervisory authority or securities exchange.

(S) 28
Governing Law

This Agreement shall be governed by the law of the Federal Republic of Germany.

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(S) 29
Jurisdiction

The courts of Frankfurt am Main shall have exclusive jurisdiction in respect of the resolution of all disputes under or in connection with this Agreement.

Frankfurt am Main 11 March 1997

AMD SAXONY MANUFACTURING GMBH

Managing Directors (Geschäftsführer)

DRESDNER BANK AG
(as Security Agent and Bank)

Other Banks:

KREDITANSTALT FÜR WIEDERAUFBAU

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

LANDESBANK BADEN-WÜRTTEMBERG

SACHSEN LB LANDESBANK SACHSEN GIROZENTRALE

BAYERISCHE LANDESBANK GIROZENTRALE

HYPOVEREINSBANK LUXEMBOURG SOCIETE ANONYME

BHF-BANK AKTIENGESELLSCHAFT

COMMERZBANK AG, Dresden Branch

DEUTSCHE POSTBANK AG
(formerly: DSL BANK DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK)

HAMBURGISCHE LANDESBANK - GIROZENTRALE -

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IKB DEUTSCHE INDUSTRIEBANK AG

LANDESBANK RHEINLAND-PFALZ - GIROZENTRALE -

ABN AMRO BANK (DEUTSCHLAND) AG, Frankfurt

CREDITANSTALT AG

THE SUMITOMO BANK, LIMITED, Dusseldorf Branch

BANK AUSTRIA CREDITANSTALT DEUTSCHLAND AG

Schedule 1

Banks' Commitments

I. THE BANKS AND THEIR LENDING OFFICES	COMMITMENTS
	DM
DRESDNER BANK AG, Frankfurt am Main	190,909,090.91
KREDITANSTALT FUR WIEDERAUFBAU, Frankfurt am Main	186,363,636.36
LANDESBANK BADEN-WURTEMBERG, Stuttgart	181,818,181.82
SACHSEN LB LANDESBANK SACHSEN GIROZENTRALE, Leipzig	100,000,000.00
BAYERISCHE LANDESBANK GIROZENTRALE, Munchen	90,909,090.91
HYPOVEREINSBANK LUXEMBOURG SOCIETE ANONYME, Luxembourg	90,909,090.91
DG BANK DEUTSCHE GENOSSENSCHAFTSBANK, Frankfurt am Main	86,363,636.36
THE SUMITOMO BANK, LIMITED, Niederlassung Dusseldorf, Dusseldorf	72,727,272.73
BHF-BANK AKTIENGESELLSCHAFT, Leipzig	68,181,818.18
COMMERZBANK AG Filiale Dresden, Dresden	68,181,818.18
DEUTSCHE POSTBANK AG, Bonn	68,181,818.18
HAMBURGISCHE LANDESBANK - GIROZENTRALE -, Hamburg	68,181,818.18
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IKB DEUTSCHE INDUSTRIEBANK AG, Dusseldorf	68,181,818.18
LANDESBANK RHEINLAND-PFALZ - GIROZENTRALE -, Mainz	68,181,818.18
ABN AMRO BANK (DEUTSCHLAND) AG, Berlin	45,454,545.46
CREDITANSTALT AG, Wien	31,818,181.82
BANK AUSTRIA CREDITANSTALT DEUTSCHLAND AG, Munchen	13,636,363.64
	----- 1,500,000,000.00

Schedule 2

(Drawdown Schedule)

<TABLE>
<CAPTION>

Project Phase	Period	Facility A per Project Phase (MDM)	Cumulative Facility A (MDM)
<S>	<C>	<C>	<C>

Planning/ Design	***	***	***
Shell	***	***	***
Clean Room	***	***	***
First Equipment	***	***	***
Qualification/First Silicon	***	***	***
Technical Completion	***	***	***
	***	***	***

</TABLE>

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

Schedule 17
Financial Covenants

The financial covenants for AMD Saxony Manufacturing GmbH ("AMD Saxonia") will be determined on the basis of the quarterly financial statements of AMD Saxonia and other information provided by the management pursuant to (S) 16.2.1 and the audited annual financial statements of AMD Saxonia and the Auditor's confirmation pursuant to (S) 16.2.2 of this Agreement.

1. Definitions

Rolling Quarter Basis:

refers to the calculation of a ratio or of an amount at the end of a Fiscal Quarter in each case covering the Fiscal Quarter in question and the three preceding Fiscal Quarters

Tangible Net Worth:

Equity

- plus 45 % of special items with equity portion ((S) (S) 273, in conjunction with (S) 247, 3 Commercial Code)
- plus Subordinated Shareholder Loans (less capitalised interest)
- less capitalised start-up and business expansion expenses ((S) 269 Commercial Code)
- less payments on account for fixed and Current Assets ((S) 266 2A II No. 3, 266 2 B I No.4 Commercial Code)
- less accruals for deferred tax released from reserves ((S) 274 2 S 1 Commercial Code)
- less intangible assets ((S) 266 2 A I Commercial Code)

= Tangible Net Worth

Equity:

subscribed share capital ((S) 266, 3A I Commercial Code) less amounts not paid-up ((S) 272, 1S 3 Commercial Code)

- plus additional capital reserves ((S) 266, 3A II Commercial Code)
 - plus revenue reserves ((S) 266, 3A, III Commercial Code)
 - plus/less retained profit/accumulated losses ((S) 266, 3A, IV Commercial Code)
 - plus/less net income/net loss for the year ((S) 266, 3A, V Commercial Code)
- = Equity

Modified EBIT:

net income for the year ((S) 275, 2, No. 20 Commercial Code) or net income during the period under consideration, as the case may be

plus taxes on income ((S) 275, 2, No. 18 Commercial Code)
 plus other taxes ((S)275, 2, No. 19 Commercial Code)
 plus interest and other expenses ((S) 275, 2, No. 13 Commercial Code)
 (including interest on Revolving Loans made to AMD Saxonia by AMD Inc. pursuant to the Sponsors' Support Agreement and the Revolving Loan Facility Agreement, Interest Expense on Bank Debt and capitalised interest to the extent capitalised on Subordinated Shareholder Loans)

= Modified EBIT

Subordinated Shareholder Loans:

all shareholder loans made to AMD Saxonia by AMD Holding and AMD Inc. pursuant to the Sponsors' Support Agreement and the Sponsors' Loan Agreement in the form set out in Schedule 29, as amended, but, for the purpose of this Schedule 17 only, excluding revolving loans made to AMD Saxonia by AMD Inc. pursuant to the Sponsors' Support Agreement and the Revolving Loan Facility Agreement.

Fiscal Quarter:

each quarterly fiscal accounting period of AMD Saxonia ending on or about the last day of March, June, September or the last Sunday in December.

Current Assets:

Inventory ((S) 266, 2 B I Commercial Code), accounts receivable and other assets ((S) 266, 2 B II Commercial Code), other marketable securities included in the current assets ((S) 266, 2 B III No. 3 Commercial Code), cheques, balances at the Bundesbank and Post Office, and cash at bank ((S) 266 2 B IV Commercial Code)

Interest Expense on Bank Debt:

all interest payments (cash or capitalised), commissions, fees, discounts and other financial charges incurred in respect of indebtedness for borrowings from banks.

Interest Cover Ratio:

the ratio of Modified EBIT to Interest Expense on Bank Debt, plus interest expense under the Revolving Loan Facility Agreement to the extent paid in cash or set off against other claims.

2. Financial Covenants

2.1 Minimum Tangible Net Worth

The Tangible Net Worth shall not at the end of any fiscal year be less than the amounts set out below:

End of a Fiscal Year	Amount in DM millions
27 December 1998	***
26 December 1999	***
31 December 2000	***
30 December 2001	***
29 December 2002	***
28 December 2003	***
26 December 2004	***
25 December 2005	***

2.2 Maximum Capital Expenditure:

[intentionally left blank]

2.3 Minimum Interest Cover Ratio

The Interest Cover Ratio calculated on a Rolling Quarter Basis shall not at the end of any Fiscal Quarter be less than the amount set out below:

End of the Fiscal Quarter	Interest Cover Ratio
---------------------------	----------------------

30 December 2001	1,70
31 March 2002	1,70
30 June 2002	1,90
29 September 2002	2,00
29 December 2002	2,20
30 March 2003	2,40
29 June 2003	2,60
28 September 2003	2,80

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 AND EXCHANGE COMMISSION.

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28 December 2003	3,00
28 March 2004	3,00
27 June 2004	3,00
26 September 2004	3,00
26 December 2004	3,00
27 March 2005	3,00
26 June 2005	3,00
25 September 2005	3,00
25 December 2005	3,00

2.4 Fixed Charge Cover Ratio:

[left intentionally blank]

2.5 Maximum Inventory Turnover:

[left intentionally blank]

3. Excess Cash:

[left intentionally blank]

4 Minimum Liquidity Covenant:

At all times from 1 July 2001, AMD Saxonía shall maintain cash in the
 Project Accounts, including Cash Equivalent Investments pursuant to
 Schedule 23, in an amount ***.

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

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THIRD AMENDMENT

TO

SPONSORS' SUPPORT AGREEMENT

*** 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.

THIS THIRD AMENDMENT (this "Amendment"), dated 20 February 2001, 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) under the Loan Agreement referred to below (in such capacity, the "Agent") for the Banks referred to below, and DRESDNER BANK AG, as

Security Agent under such Loan Agreement (in such capacity, the "Security

Agent"), for the Secured Parties referred to below.

W I T N E S S E T H:

WHEREAS, AMD Saxony Manufacturing GmbH, Dresden, registered in the Commercial Register of the Dresden Country Court HRB 13186 ("AMD Saxonia"), a wholly-owned

Subsidiary of AMD Holding, which is, in turn, a wholly-owned Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, inter alia, (i) AMD Saxonia has entered into 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 Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997, as amended, (the "Sponsors' Support Agreement") providing (x)

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certain assurances to the Agent and Security Agent with respect to the completion of the Project, and (y) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, AMD Saxonia, the Agent, the Security Agent and the Banks wish, with the consent of the Sponsors to, among other things, amend the Loan Agreement and the Sponsors' Support Agreement;

WHEREAS, the Sponsors are willing to provide certain additional undertakings to and for the benefit of the Secured Parties as provided in this Amendment and to amend and supplement the Sponsors' Support Agreement on the terms and subject to the conditions of this Amendment;

NOW, THEREFORE, the Sponsors, the Agent (for itself and on behalf of the Banks), and the Security Agent (on behalf of the Secured Parties), agree as follows:

SECTION 1.1 Definitions. Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the Sponsors' Support Agreement.

SECTION 1.2 Construction. In this Amendment, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Support Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II
Amendments

SECTION 2.1 Amendments. The Sponsors' Support Agreement shall be amended and restated in the form set out in Schedule 1 to this Amendment Agreement.

ARTICLE III
Revised Budget and Disclosure Schedule

SECTION 3.1 Budget and Disclosure Schedule. The parties hereto confirm that the Project Budget attached as Schedule 2 hereto is, the "Approved Project Budget"

for all purposes of the Sponsors' Support Agreement until such time as there is another Approved Project Budget in accordance with the terms of the Sponsors' Support Agreement. The parties hereto agree that the Sponsors' Disclosure Schedule in Schedule II to the Sponsors' Support Agreement shall be deleted and be replaced with the Sponsors' Disclosure Schedule attached as Schedule 3

hereto.

ARTICLE IV

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Miscellaneous

SECTION 4.1 Representations and Warranties. Each of the Sponsors hereby represents and warrants that:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the Sponsors' Support Agreement, as amended hereby;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligations under the Sponsors' Support Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The Sponsors' Support Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 4.2 Repetition of Representation and Warranties. The representations and warranties contained in Sections 12.1 and 12.2 of the Sponsors' Support

Agreement shall be repeated on the date hereof except to the extent any such representation and warranty expressly relates solely to an earlier date.

SECTION 4.3 Miscellaneous.

- (a) This Amendment is limited as specified and, except as expressly herein provided, shall not constitute a modification, amendment or waiver of any other provision of the Sponsors' Support Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the Sponsors' Support Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment shall be an Operative Document under and for purposes of the

- (c) The form and execution of this Amendment and all rights and obligations of the parties arising hereunder shall be governed by the laws of the Federal Republic of Germany.
- (d) This Amendment has been executed in the English language.
- (e) This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorised as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By /s/ Robert J. Rivet

Its Senior Vice President and Chief Financial Officer

AMD SAXONY HOLDING GMBH

By /s/ Thomas M. McCoy

Its Managing Director

DRESDNER BANK LUXEMBOURG S.A., as
Agent

/s/ Marcus Nelgen /s/ Robert von Finckenstein

DRESDNER BANK AG, as Security Agent

/s/ Marcus Nelgen /s/ Robert von Finckenstein

Schedule 1

Amended and restated Sponsors' Support Agreement

SPONSORS' SUPPORT AGREEMENT

Dated 11 March 1997

AS AMENDED ON 6 FEBRUARY 1998, 29 JUNE 1999

AND

20 February 2001

between

ADVANCED MICRO DEVICES, INC.,

AMD SAXONY HOLDING 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 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"), and 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.

W I T N E S S E T H :

WHEREAS, AMD Saxony Manufacturing GmbH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 13186 ("AMD Saxonia"), a wholly-owned

Subsidiary (such and other capitalised terms being used herein with the meanings provided in Section 1.1) of AMD Holding, which is, in turn, a wholly-owned

Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center (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; and

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WHEREAS, a condition precedent to the initial Advance is, inter alia, the

execution by the Sponsors of this Agreement and, in extending credit to AMD Saxonia under the Loan Agreement, the Banks are relying on the undertakings of the Sponsors contained herein;

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 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.

"Agreement" means this Sponsors' Support Agreement, as the same may

be amended or modified in accordance with the terms hereof and in effect.

"AMD Companies" means AMD Saxonia, AMD Holding, and AMD Inc.,

collectively.

"AMD Holding" has the meaning assigned to that term in the

introduction to this Agreement.

"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.

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"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 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 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, 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 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.

"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.

"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 (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, in the form set out in Schedule 50 to the Loan Agreement, between AMD Saxonia and the Security Agent.

"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 Assets, in the form set out in Schedule 45 to the

Loan Agreement, between AMD Saxonia and the Security Agent.

"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 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/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 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 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.

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"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.

"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 (S)18.2 of the Loan Agreement.

The Approved Project Budget referred to in paragraph (i) above and (subject to the requirements of (S)13.1(i)(d)(y)(1)) each 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

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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 (S)18.2 of the Loan Agreement.

The initial Approved Project Schedule and (subject to the requirements of (S) 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.

"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.

"Banks' Auditor" means BDO Deutsche Warentreuhand AG Wirtschafts-

prüfungsgesellschaft 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.

"Bank" and "Banks" have the respective meanings assigned to those

terms in the second recital of this Agreement.

"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., San Francisco.

"Capital Expenditure" means all acquisition or manufacturing costs

in respect of fixed and movable assets in accordance with (S) 266 2 A II of the Commercial Code and all acquisition costs for intangible assets in accordance with (S) 266 2 A I of the Commercial Code, to the extent the same

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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

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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.

"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.

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"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 (Pfandungspfandrechte und Zwangshypotheken), transfers of title by way of security (Sicherungsubereignungen), 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 registered stated capital (Stammkapital).

"Event of Default" means an event which would entitle the Banks to -----
terminate their commitments and the loan facilities pursuant to (S) 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.

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"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 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 Burgschaft, 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 or AMD Holding 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 on the Loan Agreement Effective Date in Germany (it being expressly understood and agreed that AMD Saxonia's and AMD Holding's monthly and quarterly financial statements 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 its 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

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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 Burschaft.

"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; and

- (v) the letter from Deutsche Revision AG to Dresdner Kleinwort Benson dated 17 November 2000.

"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.

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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 (S) (S) 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.

"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

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of the documents referred to in (S) (S) 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 Saxonnia (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 Saxonnia.

"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;

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provided, however, that with respect to an event described in clause (ii), (iii), (iv), 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:

- (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 and AMD Holding 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.

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"Minimum Liquidity Covenant" means the covenant described as (Mindestliquiditatzkennzahl) in Schedule 17 to the Loan Agreement, pursuant to which AMD Saxonia has undertaken to ensure at all times from 1 July 2001 until the payment in full of all Secured Obligations, the balance standing to the credit of the Project Accounts shall be ***

"Minimum Liquidity Covenant Calculation Date" means, with effect from 1 July 2001:

- (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 (S) 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 (S) 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 AMD Inc. Senior Secured Note Indenture, the Management Plan, each Project Budget, each Project Schedule, each Approved Project Budget, each Approved Project Schedule, the Information Memorandum, the Completion Certificates, 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 (S) 5.1.11 of the Loan Agreement.

"Organizational Documents" means, with respect to any AMD Company,

its certificate of incorporation, 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 any of its authorized shares of capital stock.

"Paying Agent" has the meaning assigned to that term in the second

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

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

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(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
- (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 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 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, 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

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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 (S) 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,

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as prepared by AMD Saxonia and approved by each Sponsor, such approval not to be unreasonably withheld or delayed.

"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 Loans" means, the subordinated unsecured revolving loans

made by either Sponsor to AMD Saxonia under the terms of the Revolving Loan
Facility Agreement.

"Revolving Loan Facility Agreement" means, the \$ 500,000,000

subordinated unsecured Revolving Loan Facility Agreement dated 20 February 2001
between AMD Inc., AMD Holding and AMD Saxonia.

"SAB" means Sachsische 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 Related Agreements" means the AMD Saxonia/Dresdner Subsidy

Agreement and the SAB/Dresdner Subsidy Agreement, collectively.

"SAB/Dresdner Subsidy Agreement" means the Agreement, in the form

set out in Schedule 26 to the Loan Agreement, between SAB and Dresdner.

"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

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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, 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 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 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.

"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.

"65/35 Burschaft" 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

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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 set-off of
65 % of payments (if any) made under the Sponsors' Guaranty 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.

"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, and
(v) 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).

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"Subsidiary" means with respect to (i) any Person organised and

existing under the laws of the Federal Republic of Germany, a subsidiary within
the meaning of the term "abhangiges Unternehmen" in (S) 17 of the German Stock
Corporation Act (Aktiengesetz); and (ii) any other Person, a corporation 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.

"Subsidies" has the meaning assigned to that term in Section 6.1.

"Taxes" has the meaning assigned to that term in Section 14.5(a).

"Technical Advisor" means Fraunhofer Institut fur

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 Certificates" means the Technical Completion Certificate (Obligors) and 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 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 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.

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"Total Revolving Loan Commitment Amount" means \$ 500,000,000 (five hundred 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.

"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

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"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, (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 provisions shall be construed as references to those provisions as amended, modified, re-enacted, or replaced from time to time; (iii) words importing a gender include every gender; (iv) references to Sections and Schedules are to Sections of and Schedules to this Agreement; and (v) 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 (S) 15.1.6 of the Loan

Agreement (or, if not so reflected, as certified by AMD Inc. to the Agent and the Security Agent as of the Loan Agreement Effective Date), 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

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- (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, VI, or VII, or for any other reason.

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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 (S) 15.1.6 of the Loan Agreement (or, if not so reflected, as certified by AMD Inc. to the Agent and the Security Agent as of the Loan Agreement Effective Date), 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,

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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");
- (ii) [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 (S) 15.1.6 of the Loan

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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:

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- (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.

- (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, VI, or VII, 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

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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
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(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]

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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

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 \$ 500,000,000 (five hundred million Dollars) with a term of no earlier than 31 March, 2006 and bearing interest at a rate not in excess of 1% (one per cent) per annum over the Applicable Rate (as defined in the Revolving Loan Facility Agreement), 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

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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.

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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, or the AMD Saxonia Assignment (U.S.A.), 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

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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, pro tanto, 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 (Burgschaft).

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 Subsidiaries 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,

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in either case in an aggregate amount (and, if the Subsidiaries have not yet been provided, as and when the Subsidiaries, 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.

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(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 or AMD Saxonia under the Security Documents.

ARTICLE VII
Pari Passu Undertaking

SECTION 7.1 [left intentionally blank]

ARTICLE VIII
AMD Inc. Share Pledge Agreement; AMD Holding Security Documents

SECTION 8.1 AMD Inc. Share Pledge Agreement. 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.

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.

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 this Section 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 the greater of:

- (x) thirty five per cent. (35 %) of the aggregate amount of all Guaranteed Obligations (as defined in the Sponsors' Guaranty); and
- (y) DM 217,500,000 (two hundred and seventeen million five hundred thousand Deutsche Marks),

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

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amount payable by the Sponsors pursuant to the Sponsors' Guaranty shall be DM 600,000,000. 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 the greater of:

- (i) thirty five per cent. (35 %) of the aggregate amount of all Guaranteed Obligations (as defined in the Sponsors' Guaranty); and
- (ii) DM 217,500,000 (two hundred and seventeen million five hundred thousand Deutsche Marks),

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 DM 600,000,000.

For the avoidance of doubt, the obligations of the Sponsors under the Sponsors' Guaranty:

- (a) constitute a primary guarantee obligation (Garantievertrag) and not a surety guarantee (Buergschaft), and are in addition to, and not in limitation of, the other obligations of the Sponsors hereunder and under the other Operative Documents; 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 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 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

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SECTION 11.1 Absolute and Unconditional Nature of the Sponsors' Obligations. The obligation of the Sponsors 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 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 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 duly incorporated, 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 authorized 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 effective date of the Third Amendment to this, 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

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 Holding is the direct legal and beneficial owner of 100% of the issued and outstanding shares of capital stock of AMD Saxonia, all of which shares have been validly issued;
- (e) AMD Holding has no Subsidiaries other than AMD Saxonia, and has no equity investments in any other Person; and
- (f) 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 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

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obtained or effected, and are in full force and effect, on the Loan Agreement 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.

(xviii) Status of AMD Holding and AMD Saxonia, etc.

- (a) AMD Holding is an "Unrestricted Subsidiary" under, and for purposes of, the AMD Inc. Senior Secured Note Indenture and is not a "Restricted Subsidiary" under, and for the purposes of, the AMD Inc. 1999 Loan and Security Agreement; and

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- (b) AMD Saxonia is an "Unrestricted Subsidiary" under, and for purposes of, the AMD Inc. Senior Secured Note Indenture and 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 and AMD Holding.

Each of the representations and warranties made by AMD Saxonia 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(ix) and the representation and warranty of AMD Saxonia contained -----
in (S) 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.

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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 (ix) which is -----

warranted by AMD Holding only):

- (i) Organization; Corporate Power.

Each of AMD Holding and AMD Saxonia:

- (a) is a Gesellschaft mit beschränkter Haftung duly organised and

existing under the laws of the Federal Republic of Germany and registered in Dresden, Germany;

- (b) is duly qualified or licensed 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) 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
- (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 of AMD Holding and AMD Saxonia of each Operative Document to which either 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 authorized 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

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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 either AMD Holding 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

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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 AMD Holding 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 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 incorporation of AMD Holding and AMD Saxonia, there has been no Material Adverse Effect with respect to AMD Holding or AMD Saxonia, except as may be specifically disclosed in the Disclosure Schedules.

- (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 the Sponsors, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against AMD Holding 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

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- (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.

(vii) 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. Neither AMD Holding nor 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.

(viii) No Burdensome Restrictions.

Neither AMD Holding nor 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.

(ix) Solvency.

AMD Holding is not insolvent as a matter of German law.

(x) 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. AMD Holding has no real property or leasehold interests. The property of each of AMD Holding and AMD Saxonia is subject to no Encumbrances, other than Permitted Encumbrances.

(xi) Subsidiaries; Material AMD Inc. Subsidiaries.

- (a) AMD Holding is the direct legal and beneficial owner of 100% of the issued and outstanding shares of capital stock of AMD Saxonia, all of which shares have been validly issued;
- (b) AMD Holding has no Subsidiaries other than AMD Saxonia, and has no equity investments in any other Person; and

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- (c) AMD Saxonia has no Subsidiaries and has no equity investments in any other Person.

(xii) Insurance.

Except as specifically disclosed in the Disclosure Schedules, properties of AMD Holding 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 AMD Holding operates.

(xiii) Copyrights, Patents, Trademarks and Licenses, Etc.

Each of AMD Holding 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 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.

(xiv) Taxes.

AMD Holding has filed all material German and other tax returns and reports required to be filed, and has paid all material 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 that would, if made, have a Material Adverse Effect.

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(xv) 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 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 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 Loan Agreement Effective Date.

(xvi) 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 Government Approvals that have expired, each of AMD Holding 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.

(xvii) Interruption of Business.

Neither the business nor the properties of AMD Holding 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.

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(xviii) 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.

(xix) Status of AMD Holding and AMD Saxonia, etc.

- (a) AMD Holding is an "Unrestricted Subsidiary" under, and for purposes of, the AMD Inc. Senior Secured Note Indenture and is not a "Restricted Subsidiary" under, and for purposes of, the AMD Inc. 1999 Loan and Security Agreement; and
- (b) AMD Saxonia is an "Unrestricted Subsidiary" under, and for purposes of, the AMD Inc. Senior Secured Note Indenture and is not a "Restricted Subsidiary" under, and for purposes of, the AMD Inc. 1999 Loan and Security Agreement.

(xx) 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 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

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Technical Advisor to express an unfavourable opinion with respect to the Project in the Technical Advisor's Report.

(xxi) 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 (S) 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

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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 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

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 or of the AMD Inc. Senior Secured Note Indenture, 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 AMD Holding at all times to be a wholly owned Subsidiary of AMD Inc. and cause AMD Saxonia at all times to be a wholly owned Subsidiary of AMD Holding.
- (iv) 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.

- (v) 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.

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 or the AMD Inc. Senior Secured Note Indenture (each of 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

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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 or AMD Saxonia to amend their respective Organizational Documents.
- (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 each of (x) the AMD Inc. Senior Secured Note Indenture, and (y) 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:

(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);

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(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) with respect to the AMD Inc. Senior Secured Note Indenture:

(a) [left intentionally blank];

(b) the references to "this Indenture" and "the Trustee" contained in Section 4.06 thereof shall be deemed to be references to "this Agreement" and "the Security Agent and the Agent", respectively;

(c) [left intentionally blank]

(d) the reference to "the Holders of the Notes" contained in Section 4.15 thereof shall be deemed to be a reference to "the Agent and

the Banks";

- (e) the reference to "the Notes, this Indenture and the Collateral Documents pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee" contained in clause (ii) of Section 5.01 thereof shall be deemed -----
to be a reference to "each of the Operative Documents to which AMD Inc. is a party pursuant to one or more documents or instruments in form reasonably satisfactory to the Agent"; and
- (f) the references to "this Indenture" contained in Section 5.02 -----
thereof shall be deemed to be references to "this Agreement"; and the reference to "the

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obligation to pay the principal of, premium, if any, and interest, if any, on the Notes" contained in Section 5.02 thereof -----
shall be deemed to be a reference to "its obligations under each of the Operative Documents to which it is a party"; and

- (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, and the AMD Inc. Senior Secured Note Indenture, 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 or (in the case of the AMD Inc. Senior Secured Note Indenture only) termination 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 or the AMD Inc. Senior Secured Note Indenture.

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 AMD Holding 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 AMD Holding 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 AMD Holding, 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) AMD Holding shall not 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.

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- (iii) cause AMD Saxonia to preserve and maintain its corporate existence, 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 AMD Holding 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 AMD Holding's 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 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 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 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 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, 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.

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- (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.

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 AMD Holding will not (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 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 or the AMD Inc. Senior Secured Note Indenture (each of 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

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otherwise convey any right to receive income to secure any obligation, except (1) as contemplated by the AMD Holding Security Documents, and (2) 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 the acquisition of 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 issue or sell any shares of any class of its capital stock to any Person except to AMD Inc.
- (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 any Person, other than AMD Saxonia, 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.

- (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 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.

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- (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 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.
- (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, 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.

SECTION 13.6 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 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) 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) AMD Holding shall have no right of contribution against AMD Inc. arising from any payment made by AMD Holding 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 stated capital or capital reserves and/or by loans to AMD Holding; provided, however, that the provisions

of this Section 13.6 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 13.6 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.

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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 to comply with its respective obligations under this Agreement, 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 13.6);

(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 (ix)); 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.

SECTION 14.3 Undertaking to Contribute. AMD Inc. hereby undertakes that in the event:

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(i) a liability is imposed on AMD Saxonia and/or AMD Holding as a result of the German tax authorities recharacterising interest on the Sponsors' Loans as dividends; or

(ii) a liability is imposed on AMD Saxonia and/or AMD Holding as a result of the German tax authorities ruling that AMD Saxonia and/or AMD Holding is not sufficiently profitable (the "Liabilities"),

and in either case (x) provided all remedies and/or appeals under the provisions of the German and U.S.A. (Income and Capital) Tax Treaty, to the extent applicable, have been exhausted and (y) only to the extent that AMD Saxonia is not able to repay the Advances in the amounts and at the times scheduled, that it will 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 not exceeding the Liabilities that, when added to amounts then available to AMD Saxonia, is sufficient to pay the Primary Secured Obligations.

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 hereby agrees that:

- (a) All payments by such Sponsor 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 hereunder is required in respect of any

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Taxes pursuant to any applicable law, rule, or regulation, then such Sponsor will, subject to Section 14.5(d),

- (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 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 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 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 either of the Sponsors 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 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) in

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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 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 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 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 Deutsche Marks into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Security Agent could purchase Deutsche Marks with such other currency on the Business Day preceding that on which final judgment is given.
- (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 Deutsche Marks 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 Deutsche Marks with such other currency; in the event that the Deutsche Marks so purchased are less than the sum originally due to the Security Agent, the Agent, the Paying Agent, or any Bank, in Deutsche Marks, 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 Deutsche Marks so purchased exceed the sum originally due to the Security Agent, the Agent, or such Bank in Deutsche Marks, the Security Agent, the Agent, the Paying Agent, or such Bank, as the case may be, shall remit to the relevant Sponsor such excess.

SECTION 14.7 License Agreement. With respect to the License Agreement,

- (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

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(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

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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 shall have the right to transfer

or assign its 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

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01067 Dresden
Attention: Betreuung Unternehmenskunden
Facsimile No.: (49) 351 489-1300

To the Agent:

Dresdner Bank Luxembourg S.A., as Agent
26, rue du Marche-aux-Herbes
L-2097 Luxembourg
Attention: Direktion
Facsimile No.: (352) 4760-824

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

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.

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

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under the Sponsors' Guaranty shall expire on the Loan Agreement Termination Date.

SECTION 15.8 EMU. European Economic and Monetary Union anticipate the introduction of a single currency and the substitution of the national currencies of Member States participating in Monetary Union. On the date on which the Deutsche Mark is replaced by the single currency, conversion into such currency shall take effect. The denomination of the original currency shall be retained for so long as this is legally permissible. Conversions shall be based on the officially fixed rate of conversion. Neither the introduction of the single currency nor the substitution of the national currencies of the Member States participating in European Monetary Union nor the fixing of the official rate of conversion nor any economic consequences that arise from any of the aforementioned events or in connection with European Monetary Union shall give rise to any right to terminate prematurely, contest, cancel, rescind, modify, or renegotiate this Agreement or any of its provisions or to raise any other objections and/or exceptions or to assert any claims for compensation. This

Agreement shall continue in full force and effect in accordance with its terms.

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. 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. 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 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

DRESDNER BANK AG, as Agent and Security Agent

SCHEDULE I
to
Sponsors' Support Agreement

[left intentionally blank]

FIRST AMENDMENT TO AMD HOLDING WAFER PURCHASE
AGREEMENT

***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.

This First Amendment to AMD Holding Wafer Purchase Agreement (this "First Amendment"), dated as of February 20, 2001 is between:

- (1) Advanced Micro Devices, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America, with its principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."); and
- (2) AMD Saxony Holding GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Holding").

RECITALS

WHEREAS, AMD Saxony Manufacturing GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Saxonia"), is a wholly-owned Subsidiary (such and other capitalized terms having the meaning assigned thereto in the AMD Saxonia Wafer Purchase Agreement (as defined below)) of AMD Holding, which in turn is a wholly-owned Subsidiary of AMD Inc.;

WHEREAS, AMD Inc., AMD Holding and AMD Saxonia are involved in a project pursuant to which AMD Saxonia is constructing, and owns and operates inter alia the Plant located in Dresden, Germany, to manufacture Wafers using high-volume semiconductor wafer fabrication processes;

WHEREAS, AMD Inc. and AMD Holding are party to the AMD Holding Wafer Purchase Agreement dated as of March 11, 1997 (the "AMD Holding Wafer Purchase Agreement"), pursuant to which, among other things, AMD Inc. has agreed to purchase from AMD Holding, and AMD Holding has agreed to supply on an exclusive basis to AMD Inc., all Wafers as are ordered from time to time by AMD Inc. from AMD

Holding, in each case on the terms and conditions of the AMD Holding Wafer Purchase Agreement;

WHEREAS, AMD Holding and AMD Saxonia are party to that certain AMD Saxonia Wafer Purchase Agreement dated as of March 11, 1997, as amended by the First Amendment to AMD Saxonia Wafer Purchase Agreement dated as of February 8, 1998 (as so amended, the "AMD Saxonia Wafer Purchase Agreement") pursuant to which AMD Holding has the exclusive right to purchase Wafers from AMD Saxonia in order to enable AMD Holding to fulfill its obligations under the AMD Holding Wafer Purchase Agreement, and AMD Saxonia has agreed on such exclusive basis, to manufacture and sell Wafers to AMD Holding;

WHEREAS, concurrently herewith, the parties are amending the AMD Saxonia Wafer Purchase Agreement to revise certain pricing and cost reimbursement obligations and to make certain other amendments, all on the terms and conditions more particularly set forth in this First Amendment; and

WHEREAS, the parties desire to make certain conforming amendments to the AMD Holding Wafer Purchase Agreement, on the terms and conditions more particularly set forth in this First Amendment.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

Amendments

Section 1.1 The AMD Holding Wafer Purchase Agreement shall be amended and restated in the form set out in Schedule A to this First Amendment.

ARTICLE II

Representations and Warranties

Section 2.1 Each of AMD Inc. and AMD Holding, severally and for itself alone, hereby represents and warrants to the other as follows:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this First Amendment and to consummate the transactions contemplated by the AMD Holding Wafer Purchase Agreement as amended by this First Amendment;
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- (b) Corporate Authority; No Conflict. The execution and delivery by it of this First Amendment, and the performance by it of its obligations under the AMD Holding Wafer Purchase Agreement as amended by this First Amendment have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The AMD Holding Wafer Purchase Agreement, as amended by this First Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

ARTICLE III
Miscellaneous

Section 3.1 Miscellaneous.

-
- (a) This First Amendment is limited as specified and, except as specifically set forth herein, shall not constitute a modification, amendment or waiver of any other provision of the AMD Holding Wafer Purchase Agreement or any provision of any other Operative Document. Except as specifically amended by this First Amendment, the AMD Holding Wafer Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This First Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) This First Amendment shall be governed by, and shall be construed in accordance with, the internal laws of the State of California, without regard to its conflicts of laws principles.
- (d) This First Amendment is in the English language, which language shall be controlling in all respects.

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- (e) This First Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

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IN WITNESS OF THE FOREGOING, AMD Inc. and AMD Holding have caused this First Amendment to be executed by their authorized representatives as of the date first written above.

ADVANCED MICRO DEVICES, INC.

By: /s/ Robert J. Rivet

Its: Senior Vice President and Chief
Financial Officer

AMD SAXONY HOLDING GMBH

By: /s/ Thomas M. McCoy

Its: Managing Director

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Schedule A

Amended and Restated
AMD Holding Wafer Purchase Agreement.

Schedule A-1

Schedule A

AMD HOLDING WAFER PURCHASE AGREEMENT
as amended by the First Amendment
to AMD Holding Wafer Purchase Agreement
dated as of February 20, 2001

between

ADVANCED MICRO DEVICES, INC.

and

AMD SAXONY HOLDING GMBH

AMD HOLDING WAFER PURCHASE AGREEMENT (as amended)

This AMD Holding Wafer Purchase Agreement (as amended, supplemented or otherwise modified from time to time, this "Agreement") dated as of March 11, 1997 is between:

- (1) Advanced Micro Devices, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America, with its principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."); and
- (2) AMD Saxony Holding GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Holding").

RECITALS

WHEREAS, AMD Saxony Manufacturing GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Saxonia"), is a wholly-owned Subsidiary (such and other capitalized terms not otherwise defined herein having the meaning assigned thereto in Section 1.01) of AMD Holding, which in turn is a wholly-owned Subsidiary of AMD Inc.;

WHEREAS, AMD Inc., AMD Holding and AMD Saxonia are currently involved in the initial planning stages of a project pursuant to which AMD Saxonia will construct, own and operate inter alia the Plant to be located in or near Dresden, Germany to manufacture Wafers using high-volume semiconductor wafer fabrication processes;

WHEREAS, concurrently herewith, AMD Holding and AMD Saxonia are entering into the AMD Saxonia Wafer Purchase Agreement (as amended, supplemented or otherwise modified from time to time, the "AMD Saxonia Wafer Purchase Agreement") pursuant to which AMD Holding is obtaining the exclusive right to purchase Wafers from AMD Saxonia, and AMD Saxonia is agreeing, on such exclusive basis, to manufacture and sell Wafers to AMD Holding, in each case on the terms and conditions of the AMD Saxonia Wafer Purchase Agreement;

WHEREAS, on the terms and conditions of this Agreement, including the payment terms of Article III, AMD Inc. wishes the exclusive right to purchase such Wafers from AMD Holding as are purchased by AMD Holding from AMD Saxonia pursuant to the AMD Saxonia Wafer Purchase Agreement, and AMD Holding is willing, on such exclusive basis, to sell such Wafers to AMD Inc.;

WHEREAS, concurrently herewith (i) AMD Inc. and AMD Holding are entering into the AMD Holding Research Agreement, (ii) AMD Inc., AMD Holding and AMD Saxonia

are entering into the License Agreement and the amendment and restatement of the Management Service Agreement and (iii) AMD Holding and AMD Saxonia are entering into the AMD Saxonia Research Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

Interpretation

Section 1.01. Definitions. Capitalized terms used and not otherwise

defined herein shall have the respective meanings assigned to them in the AMD Saxonia Wafer Purchase Agreement.

Section 1.02. Construction of Certain Terms.

(a) Unless otherwise specifically provided, (i) references to the singular shall include the plural and vice versa, and references by way of masculine pronoun or adjective shall include references by way of the feminine; (ii) references to Articles, Sections and Subsections shall be to Articles, Sections and Subsections of this Agreement; (iii) accounting terms are to be construed in accordance with German GAAP; (iv) save where expressly stated to the contrary, all references to money, costs and payments in this Agreement are to money, costs and payments in DM; and (v) references to days in this Agreement shall be to calendar days.

(b) The index to and headings in this Agreement are inserted for convenience only and are to be ignored in construing this Agreement

ARTICLE II

Supply of Products

Section 2.01. Sale of Products by AMD Holding to AMD Inca

(a) AMD Holding hereby agrees to sell to AMD Inc., and AMD Inc. hereby agrees to purchase from AMD Holding, in accordance with the terms of this Agreement, 100% of such Products as are manufactured by AMD Saxonia and sold to AMD Holding in accordance with the AMD Saxonia Wafer Purchase Agreement. AMD Holding further agrees that, during the term of this Agreement, unless AMD Inc. and, prior to the Loan Agreement Termination Date, the Agent, otherwise consent

thereto,

(i) it shall not under any circumstances, directly or indirectly, (a) market, distribute or sell any Products or any other goods or services to any Person other than AMD Inc. or one or more of AMD Inc.'s Subsidiaries and

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Affiliates, (b) order Products from AMD Saxonia under the AMD Saxonia Wafer Purchase Agreement unless ordered by AMD Inc. hereunder, (c) amend, supplement or otherwise modify the AMD Saxonia Wafer Purchase Agreement, or (d) engage in any activities other than (e) the investment in equity of AMD Saxonia, (f) the making of loans and provision of other financial support to AMD Saxonia, (g) the purchase and sale of Products as contemplated hereby, (h) the provision of research, design and development services as contemplated by the AMD Holding Research Agreement and (i) activities reasonably incidental to any of the foregoing; and

(ii) it shall cause AMD Saxonia to comply with AMD Saxonia's obligations under the AMD Saxonia Wafer Purchase Agreement except to the extent inconsistent with the terms of the Sponsors' Subordination Agreement (as defined in the Loan Agreement).

(b) On the terms and subject to the conditions of this Agreement, AMD Inc. hereby agrees to purchase from AMD Holding and pay for the Products Onshipped (as defined below) to it pursuant to the terms of this Agreement. For purposes of this Agreement, "Onshipped" means Products delivered by or on behalf of AMD Holding F.O.B. Dresden, Germany pursuant to Section 3.04. For purposes of this definition, all Products Shipped by AMD Saxonia to AMD Holding under the AMD Saxonia Wafer Purchase Agreement shall be deemed to be delivered by AMD Holding under this Agreement.

(c) AMD Inc. hereby agrees to provide, on behalf of AMD Holding, such technical assistance and to make such disclosures to AMD Saxonia at such times and to the extent required to be provided or made by AMD Holding, or required to be arranged by AMD Holding to be provided or made, pursuant to Section 2.01(c) of the AMD Saxonia Wafer Purchase Agreement.

(d) Section 2.01(d) of the AMD Saxonia Wafer Purchase Agreement contemplates delivery to AMD Holding of pre-production samples of Products under the circumstances contemplated thereby. AMD Holding shall submit such samples to AMD Inc. for approval under this Agreement within one Business Day of its receipt of such samples from AMD Saxonia pursuant to such Section 2.01(d). AMD Inc. shall communicate its approval or disapproval of any such samples no later than 10 days after such samples are submitted to AMD Holding by AMD Saxonia for such approval (and shall be deemed to have approved such samples under this Section 2.01(d) if it has not communicated any such disapproval within such 10 day period). Approval shall not be unreasonably withheld by AMD Inc. and, once given, shall constitute irrevocable confirmation that the Products manufactured in conformity with the samples (or differing only within normal silicon computer chip industry limits) will comply with the Specifications and will meet the requirements of quality specified in Section 2.03, except in respect of defects in such samples or future production which are not capable of being revealed on reasonable inspection by AMD Inc.

(e) AMD Holding with AMD Inc.'s approval shall nominate one or more senior managers of AMD Inc. to act as its representative for liaising with AMD Saxonia,

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pursuant to Section 2.01(e) of the AMD Saxonia Wafer Purchase Agreement, in connection with the manufacture and development of Products by AMD Saxonia.

Section 2.02. Importation of Products. AMD Inc. shall be responsible, at

its own cost and expense, for obtaining any and all consents, authorizations, permits or approvals in connection with the import of Products hereunder into any territory outside Germany.

Section 2.03. Quality of the Products; Inspection and Rejection;

Replacement Product. Without prejudice to AMD Inc.'s obligation to make payment

for Products Onshipped pursuant to Section 3.05:

(a) AMD Holding shall use, and shall cause AMD Saxonia to use, all reasonable efforts to ensure that each Product Onshipped meets the Specifications for that Product. In order to assist AMD Holding in such efforts and for the purpose of assuring to AMD Inc. the quality of the Products required under this Agreement, AMD Holding shall permit the duly authorized representatives of AMD Inc., at any time during normal working hours and on

reasonable notice, to inspect any premises of AMD Holding, and shall use all reasonable efforts to permit such representatives, at such time and on such notice, to inspect any premises of any third party where any of the Products, or any labeling or packaging for them, are stored by or for AMD Holding. In addition, AMD Holding shall cause AMD Saxonia to permit the duly authorized representatives of AMD Inc., at any time during normal working hours and on reasonable notice, to inspect any premises of AMD Saxonia, and shall cause AMD Saxonia to use all reasonable efforts to permit such representatives, at such time and on such notice, to inspect any premises of any third party where any of the Products, or any labeling or packaging for them, are manufactured or stored by or for AMD Saxonia.

(b) AMD Inc. shall promptly notify AMD Holding and AMD Saxonia in writing should the quality of the Products Onshipped vary materially from the typical quality of the four previous shipments or, in the case of the first four shipments, from that quality of the previous shipments. In such event, AMD Holding shall use, and shall cause AMD Saxonia to use, its reasonable commercial efforts to restore the quality of the Products delivered hereunder to again meet such typical quality as soon as possible.

ARTICLE III

Payments and Delivery of Products -----

Section 3.01. Purchase Price of Products. -----

(a) AMD Inc. shall pay to AMD Holding the relevant Selling Price Per Wafer for each Product Onshipped by AMD Holding and, to the extent paid by AMD Saxonia and/or AMD Holding, the costs and expenses for freight and insurances (including such costs and expenses in respect of delivery from AMD Saxonia to AMD Holding). In addition, and without duplication, AMD Inc. agrees to make payments from time to time to AMD Holding in amounts equal to (and on the same basis as) all other amounts (but without duplication of amounts

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compensated to AMD Holding under Section 6.02 or any other provision hereof) due from AMD Holding to AMD Saxonia under the AMD Saxonia Wafer Purchase Agreement, including without limitation the following:

(i) payment of the Selling Price Per Wafer when and to the extent required to be paid by AMD Holding under Section 3.03 of the AMD Saxonia Wafer Purchase Agreement;

(ii) payment of Excess Start-Up Costs when and to the extent required to be paid by AMD Holding under Section 3.04 of the AMD Saxonia Wafer Purchase Agreement;

(iii) payment of the Advance Payment Adjustment Amount when and to the extent required to be paid by AMD Holding under Section 3.05 of the AMD Saxonia Wafer Purchase Agreement;

(iv) Intentionally Deleted

(v) Intentionally Deleted

(b) AMD Inc. may offset against amounts it owes or will owe to AMD Holding under this Agreement the same amount as is required to be credited from time to time by AMD Saxonia to AMD Holding under the AMD Saxonia Wafer Purchase Agreement.

(c) Without limiting Sections 2.01(a) and (b), AMD Holding agrees that it will neither Onship any Product to AMD Inc. for an amount in excess of the purchase price paid by AMD Holding to AMD Saxonia (or credited to AMD Holding by AMD Saxonia) for such Product, nor bill AMD Inc. for research and development services in an amount in excess of the amount paid by AMD Holding to AMD Saxonia (or credited to AMD Holding by AMD Saxonia) for such research and development services.

Section 3.02. Intentionally Deleted

Section 3.03. Intentionally Deleted

Section 3.04. Shipping Terms. AMD Holding shall deliver the Products

purchased hereunder F.O.B. Dresden, Germany. AMD Inc. will arrange and be responsible for and pay all freight, trucking, insurance and other charges incurred in connection with the shipment of the Products from Dresden, Germany, to such place or places of delivery as specified by AMD Inc.

Section 3.05. Payments; Set Off.

(a) AMD Inc. shall pay to AMD Holding the relevant Selling Price Per Wafer for each Product Onshipped by AMD Holding and, to the extent paid by AMD Holding and/or AMD Saxonia, the costs and expenses for freight and insurances, unconditionally before the date on which AMD Holding is required to pay to AMD Saxonia the corresponding Selling Price Per

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Wafer for the relevant Product Shipped by AMD Saxonia pursuant to Section 3.10 of the AMD Saxonia Wafer Purchase Agreement (provided AMD Holding or AMD Saxonia gives AMD Inc. reasonable advance notice of such date) but in no event later than 30 days after receipt of invoices denominated in DM from AMD Holding in accordance with this Section 3.05. AMD Holding shall be entitled to issue invoices to AMD Inc. as soon as the relevant Products are Onshipped as provided in Section 3.04 above.

(b) Payment for all other amounts due hereunder from either party (including any adjustment amount as set forth in Section 3.01 hereof) shall be unconditionally due on or before the date specified in the AMD Saxonia Wafer Purchase Agreement for the corresponding such amount. AMD Holding agrees that it shall, as soon as practicable and in any event prior to the relevant due date for any such payment, deliver to AMD Inc. any certification, invoice or notice from AMD Saxonia to AMD Holding which, pursuant to the terms of the AMD Saxonia Wafer Purchase Agreement, is to be delivered by AMD Saxonia to AMD Holding prior to the relevant due date for payment of any amount under the AMD Saxonia Wafer Purchase Agreement.

(c) All amounts under this Agreement not paid when due from AMD Inc. shall bear interest at the rate of 7.0% per annum from the date due until paid, calculated on the basis of actual days and months elapsed. Such interest shall be due and payable at the end of each calendar month. In no event shall the interest charged exceed the maximum amount permitted under law.

(d) The obligations of AMD Inc. under this Agreement are intended by the parties to be absolute and unconditional under any and all circumstances except to the extent expressly stated in this Agreement, and are intended to be independent of the rights and obligations of AMD Holding and AMD Inc. or any of their Affiliates or of any third party under this Agreement or any other agreement or arrangement in each case except as expressly stated in this Agreement.

(e) The parties hereto hereby expressly acknowledge, agree, and understand that the payment by AMD Inc. of all amounts payable by it hereunder as required by this Agreement shall in no way be prevented, delayed, or otherwise affected as a result of any dispute between the parties (or between any of the parties and their Affiliates) or by any breach of this Agreement or any other agreement entered into in connection herewith and/or any adverse change in the financial or economic condition of AMD Holding or any Affiliate thereof, including without limitation AMD Holding's or any such Affiliate's liquidation or bankruptcy, or any kind of insolvency proceeding in respect thereof.

(f) Except as otherwise expressly provided herein and in that certain Management Service Agreement entered into concurrently herewith (a copy of which is attached as Exhibit III to the AMD Saxonia Wafer Purchase Agreement), no obligations of AMD Inc. under this Agreement shall be subject to any counterclaim, set-off, deduction, withholding, or defense based upon (and without prejudice to) any claim that AMD Inc. may have against AMD Holding, any of its Affiliates, or any other Person, or released, discharged, or in any way affected for any reason or through any circumstances whatsoever (other than as required by any

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mandatory non-waivable requirements of law) including, without limitation, (i) any breach of any representation or warranty on the part of AMD Holding under or in connection with this Agreement or any other agreement entered into in connection herewith or any failure of AMD Holding to perform any of its agreements, covenants, or other obligations hereunder or thereunder, or (ii) any other circumstance which might constitute a legal or equitable discharge or defense of AMD Inc.; provided that, as between AMD Inc. and AMD Holding (and (a) notwithstanding any other provision hereof, and (b) without prejudice to any rights of subrogation that may arise), payment or performance by AMD Inc. or any other Person of any obligation of AMD Holding under the AMD Saxonia Wafer Purchase Agreement (including without limitation pursuant to the AMD Inc. Guaranty (as defined in the Sponsors' Support Agreement)) shall constitute payment or performance (as applicable) of the corresponding such obligation of AMD Inc. hereunder.

(g) Any amounts that are due from AMD Holding to AMD Inc. hereunder shall be payable only in the form of credit against amounts owed or to be owed by AMD

Inc. to AMD Holding under this Agreement, except to the extent expressly provided in Section 4.02. Any amount that is due from AMD Inc. to AMD Holding hereunder may be set-off against any payment then due (whether as a credit or otherwise) hereunder or under the Management Service Agreement from AMD Holding to AMD Inc.

Section 3.06. Method of Payment. Payments under this Agreement from AMD

Inc. to AMD Holding, if made other than by set-off permitted by Section 3.05, shall be made by wire transfer deposited into *** or such other account specified by AMD Holding with the prior written consent of the Agent (a copy of which consent shall be delivered by AMD Holding to AMD Inc.) with not less than 15 days written notice to AMD Inc., and all such payments shall be made in DM or the Dollar equivalent thereof, or a combination of DM and Dollar equivalents, in each case at the option of AMD Saxonía. As used herein, Dollar equivalents shall be calculated in the amount, expressed in Dollars, resulting from the conversion of DM to Dollars at the Agent's spot rate of exchange as in effect on the date of the relevant invoice.

Section 3.07. Product Warranty. Subject to Section 3.08, AMD Holding

represents and warrants that all Products sold to AMD Inc. pursuant to this Agreement shall conform in all material respects to the Specifications for such Products and, if expressly agreed by AMD Holding in writing in advance, to any specific changes thereto.

Section 3.08. Disclaimer. THE WARRANTY CONTAINED IN SECTION 3.07 IS THE

SOLE AND EXCLUSIVE WARRANTY AS TO THE PRODUCTS AND IS EXPRESSLY IN LIEU OF ANY EXPRESS OR IMPLIED WARRANTIES, IN FACT OR IN LAW, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY SIMILAR WARRANTIES IMPLIED BY APPLICABLE LAW. REPAIR OR REPLACEMENT OF DEFECTIVE PRODUCTS SHALL BE AMD INC.'S EXCLUSIVE REMEDY WITH RESPECT TO

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

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DEFECTIVE PRODUCTS. AMD HOLDING ASSUMES NO LIABILITY IN TORT OR STRICT LIABILITY, NOR SHALL AMD HOLDING BE LIABLE TO AMD INC. OR ANY SUBSIDIARY OR AFFILIATE THEREOF FOR LOSS OF USE OF PRODUCTS OR ANY OTHER INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES INCURRED BY AMD INC. OR ANY SUBSIDIARY OR AFFILIATE THEREOF. IN NO EVENT SHALL THE LIABILITY OF AMD HOLDING ARISING IN CONNECTION WITH ANY PRODUCTS SOLD HEREUNDER EXCEED THE ACTUAL AMOUNT PAID BY AMD INC. TO AMD HOLDING FOR PRODUCTS INVOLVED IN SUCH CLAIM.

Section 3.09. Limitation of Liability. In furtherance of the parties'

selection of California law to govern this Agreement, the parties hereby expressly exclude rescission (Wandlung) and price reduction (Minderung) as remedies for defective Products and agree that in no event shall German Civil Code Paragraph 462 be applicable. To the extent permissible under applicable law, AMD Holding assumes no liability in tort or strict liability, nor shall AMD Holding be liable to AMD Inc. or any AMD Inc. Affiliate for loss of use of Products or any other incidental, special, indirect or consequential damages or lost profits incurred by AMD Inc. or an AMD Inc. Affiliate. Without prejudice to Section 3.08, in no event shall the liability of AMD Holding arising in connection with any Products sold hereunder exceed the actual amount paid by AMD Inc. to AMD Holding for Products involved in such claim.

Section 3.10. Annual Fee; Reimbursement of Certain Administrative Costs

of AMD Holding.

(a) AMD Inc. agrees to pay AMD Holding an annual fee, no later than 30 days after the end of the relevant Fiscal Year, of (i) DM 250,000 for the Fiscal Year ending December 1997, and (ii) DM 500,000 for each Fiscal Year thereafter during the term of this Agreement (which fee shall be pro-rated for any part of a Fiscal Year other than the Fiscal Year ending December 1997), as compensation to AMD Holding for undertaking any obligations under the Operative Documents (as defined in the Sponsors' Support Agreement) that benefit AMD Inc.

(b) AMD Inc. agrees to compensate AMD Holding for any administrative costs, including without limitation bookkeeping, legal and accounting costs and amounts payable by AMD Holding to AMD Saxonía pursuant to Section 3.07 of the AMD Saxonía Wafer Purchase Agreement, incurred by AMD Holding in connection with this Agreement, the AMD Saxonía Wafer Purchase Agreement and the Research Agreements, plus a surcharge on such costs of 7.5%. All amounts payable by

AMD Inc. under this Section 3.10(b) shall be payable in arrears no later than 30 days after the end of each Fiscal Year.

ARTICLE IV

Technical Assistance

Section 4.01. Provision to AMD Saxonia of Know-how, Advice, Technical Assistance, Expert Support and Training and Access to Comparable Plants. AMD Inc.

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hereby agrees to (i) provide, on behalf of AMD Holding, AMD Saxonia with such technical assistance, advice, expert support, Intellectual Property, Technical Documentation, copies, technical discussions, lectures, guidance and technical and other training, (ii) make such disclosures and notifications to AMD Saxonia, (iii) permit AMD Saxonia to make such copies and (iv) permit AMD Saxonia to send employees of AMD Saxonia to visit AMD Inc.'s Wafer Fabrication Plants, in each case to the extent and in the manner required to be, provided, made or permitted, or required to be arranged to be provided, made or permitted, by AMD Holding and/or AMD Inc. under Article IV of the AMD Saxonia Wafer Purchase Agreement. To the extent any such requirement is contingent on AMD Saxonia making a request to AMD Holding, AMD Holding shall inform AMD Inc. of each such request (including all relevant details) as soon as practicable after such request is made by AMD Saxonia to AMD Holding.

Section 4.02. Charge for Technical Assistance.

(a) As compensation in full for the performance of the services contemplated under this Article IV, AMD Holding shall reimburse AMD Inc. for (i) all reasonable out-of-pocket expenses incurred by AMD Inc. in connection with providing such services, plus (ii) the reasonable salaries and other remuneration of the relevant personnel involved, in each case to the extent not reimbursed by AMD Saxonia directly to AMD Inc. In this regard, AMD Inc. shall issue quarterly invoices to AMD Holding itemizing in detail the basis for each invoiced amount. Prior to the Effective Date, all such invoiced amounts shall, notwithstanding Section 3.05, be paid by AMD Holding within thirty-five (35) days of its receipt of the respective invoice. Payments shall be made in DM by wire transfer. From and after the Effective Date, payments shall be made only in the form of credits against amounts owed or to be owed by AMD Inc. to AMD Holding under this Agreement.

(b) The parties agree that any invoiced amounts to be paid or credited by AMD Holding under this Section 4.02 shall not duplicate amounts charged for services provided by AMD Inc. to AMD Saxonia pursuant to the Management Service Agreement.

(c) The foregoing notwithstanding, (i) in no event shall the aggregate amounts to be paid to AMD Inc. under this Section 4.02 and under the Management Service Agreement prior to the Effective Date exceed DM 135,000,000 (One Hundred Thirty-Five Million Deutsche Marks), and (ii) the parties agree that any Intellectual Property provided in any form to AMD Saxonia or to AMD Holding for the benefit of AMD Saxonia for its use hereunder is provided at no charge.

ARTICLE V

Accounting Reports; Other Reports;

Right of Inspection by or on Behalf of AMD Holding

Section 5.01. Annual Accounting Reports.

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(a) AMD Inc. and its duly authorized representatives and, if the Loan Agreement Termination Date has not yet taken place, the Agent shall at all reasonable times have access to the books and accounts kept by AMD Holding and annually upon the closing of the Fiscal Year all such books and accounts shall be audited by Ernst & Young GmbH or such other firm of independent and internationally known public accountants as may be selected by AMD Holding with the approval of AMD Inc. and, if the Loan Agreement Termination Date has not yet taken place, the Agent (the consent of the Agent not to be unreasonably withheld). A copy of each such report of audit, together with a reconciliation of AMD Holding's fiscal year figures to the statutory financial statements of AMD Holding, shall be sent promptly to AMD Inc. and, prior to the Loan Agreement Termination Date, the Agent. AMD Inc. and its duly authorized representatives shall also have the right to examine and inspect at any reasonable time all properties and operations of AMD Holding to which this Agreement relates.

(b) AMD Holding shall (i) cause AMD Saxonia to give AMD Inc. at all reasonable times access to the books and accounts kept by AMD Saxonia and (ii) cause all such books and accounts to be audited annually upon the closing of the Fiscal Year by Ernst & Young GmbH or such other firm of independent and internationally known public accountants as may be selected by AMD Saxonia with the approval of AMD Inc. and, if the Loan Agreement Termination Date has not yet taken place, the Agent (the consent of the Agent not to be unreasonably withheld). A copy of each such report of audit, together with a reconciliation of AMD Saxonia's fiscal year figures to the statutory financial statements of AMD Saxonia, shall be sent promptly to AMD Inc. and, prior to the Loan Agreement Termination Date, the Agent by or on behalf of AMD Holding. AMD Holding shall cause AMD Saxonia to permit AMD Inc. and its duly authorized representatives to examine and inspect at any reasonable time all properties and operations of AMD Saxonia to which the AMD Saxonia Wafer Purchase Agreement relates.

Section 5.02. Intentionally Deleted

Section 5.03. Accountants' Certification; Officer's Certificate. AMD

Holding shall, as soon as practicable after its receipt of the same, deliver to AMD Inc. a copy of each certificate delivered by or on behalf of AMD Saxonia to AMD Holding pursuant to Section 5.03 of the AMD Saxonia Wafer Purchase Agreement.

Section 5.04. Intentionally Deleted

ARTICLE VI

Effectiveness; Termination

Section 6.01. Effectiveness; Termination.

(a) This Agreement shall become effective on the date hereof and (unless otherwise extended as hereinafter provided) shall terminate on the date (the "Initial Termination Date") which is the earlier of (i) the Loan Agreement Termination Date and (ii) the Termination Date (as defined below). At the option of AMD Holding, exercised by giving notice to AMD

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Inc. at least six months prior to the Loan Agreement Termination Date, and provided that no Termination Event has occurred and is continuing- and the AMD Saxonia Wafer Purchase Agreement is extended for the same period, this Agreement may be extended for one additional three year term. At the option of AMD Inc., exercised by giving, notice to AMD Holding, at least six months prior to the Loan Agreement Termination Date, and provided that no Termination Event has occurred and is continuing and the AMD Saxonia Wafer Purchase Agreement is extended for the same period (and AMD Holding shall use its best efforts to effect such extension under the terms of the AMD Saxonia Wafer Purchase Agreement following its receipt of such notice), the initial term of this Agreement may be extended for one additional three year term (to the extent not previously extended by AMD Holding pursuant to the preceding sentence).

(b) Each of the events described in this Section 6.01(b), whether or not such events directly or indirectly affect AMD Inc. or AMD Holding, shall constitute a Termination Event. If such a Termination Event has occurred and is continuing, AMD Holding (or, if prior to the Loan Agreement Termination Date, the Security Agent on behalf of AMD Holding pursuant to and in accordance with the Security Documents (as defined in the Sponsors' Support Agreement)) may, by notice to AMD Inc. and, if prior to the Loan Agreement Termination Date, the Agent, terminate this Agreement in case of any of the Termination Events described in clauses (viii) through (xii) below. In addition, this Agreement shall automatically terminate (without any requirement for any action by any party hereto) immediately upon the occurrence of the Termination Event described in clauses (i) through (vii) below. Any such automatic termination shall be effective on the date of the relevant Termination Event, and any termination upon the giving of notice pursuant to this Section 6.02 shall be effective on the date any such notice is given (the date of any such automatic or other termination being the "Termination Date"). The Termination Events are as follows:

(i) the expropriation or condemnation of the Plant or any substantial part of the assets or business of AMD Saxonia or AMD Holding by any Governmental Authority, or the involuntary suspension, or curtailment below seventy-five percent of capacity, by AMD Saxonia of the operation of the Plant for six months or more as a result of any change in or introduction of any Law, or any change in the interpretation or application thereof, in each case occurring after the date hereof;

(ii) AMD Inc. or AMD Holding being required by any Governmental Authority to divest itself of all or a substantial portion of its direct

or indirect interest in AMD Saxonia, or AMD Saxonia being required by any Governmental Authority to divest itself or all or a substantial portion of the Plant;

(iii) the destruction of the Plant or a substantial portion thereof and a decision by AMD Saxonia not to rebuild the same after having received insurance proceeds in respect of such destruction in an amount at least equal to the depreciated book value of such Plant or substantial portion thereof;

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(iv) obligations of AMD Saxonia being accelerated following lapse of any applicable grace periods as a result of the occurrence of an event described in Section 21 of the Loan Agreement that would permit the Banks to terminate the Facilities under, and as defined in, such agreement, and/or the Agent, the Security Agent or any of the Banks exercising remedies pursuant to any of the Security Documents (as defined in the Loan Agreement);

(v) the involuntary (including without limitation as a result of enforcement of any rights of security granted in shares of AMD Holding and/or AMD Saxonia or performance of any undertakings to transfer such shares made to secure obligations of AMD Holding and/or AMD Saxonia) transfer of a controlling interest in AMD Holding and/or AMD Saxonia from AMD Inc. and its Subsidiaries to one or more third parties;

(vi) the involuntary dissolution or winding up of the business of AMD Holding and/or AMD Saxonia;

(vii) the AMD Saxonia Wafer Purchase Agreement terminating in accordance with its terms;

(viii) failure by AMD Inc. to make any payment required from it hereunder or under the AMD Holding Research Agreement or Sponsors' Support Agreement within 45 days of the date due therefor, or default by AMD Inc. in the performance of or compliance with any other term contained in this Agreement or any such other agreement and such default shall not have been remedied or waived within 30 days after receipt of notice from AMD Holding or, if the Loan Agreement Termination Date has not yet taken place, the Agent of such default;

(ix) any of AMD Inc.'s representations or warranties made in this Agreement or the AMD Holding Research Agreement or in any statement or certificate at any time given by AMD Inc. in writing pursuant to any thereof being false in any material respect on the date as of which made;

(x) a court having jurisdiction in the premises entering a decree or order for relief in respect of AMD Inc. in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief being granted under any applicable federal or state law;

(xi) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over AMD Inc. or over all or a substantial part of its property, having been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of AMD Inc. for all or a substantial part of its property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of AMD Inc.; and the continuance of

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any such events in this clause (xi) for 90 days unless stayed, dismissed, bonded or discharged; or

(xii) AMD Inc. having an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consenting to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or consenting to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by AMD Inc. of any assignment for the benefit of creditors; or the inability or failure by AMD Inc. or the admission by AMD Inc. in writing of its inability to pay its debts as such debts become due; or the Board of Directors of AMD Inc. (or any committee thereof) adopting any resolution or otherwise authorizing action to approve any of the foregoing.

Section 6.02. Rights Upon Termination.

(a) Promptly, but in no event later than 20 days following the Termination Date,

(i) the Selling Price Per Wafer for the Month ending on the Termination Date shall be calculated in accordance with Section 3.03 of the AMD Saxonia Wafer Purchase Agreement;

(ii) in the event that the Termination Date occurs before all of the Excess Start-up Costs or the Start-up Cost Savings, whichever the case may be, has been paid in accordance with Section 3.04 of the AMD Saxonia Wafer Purchase Agreement, the amount of any unpaid Excess Start-up Costs or Start-up Costs Savings shall be calculated in accordance with Section 3.04 of that Agreement;

(iii) if no Products were Shipped in the Month ending on the Termination Date, the final Advance Payment Adjustment Amount for that Month shall be calculated in accordance with Section 3.05 of the AMD Saxonia Wafer Purchase Agreement;

(iv) Intentionally Deleted

(v) Intentionally Deleted

(vi) amounts payable by AMD Holding under Section 3.07 of the AMD Saxonia Wafer Purchase Agreement shall be calculated in accordance with the terms thereof; and the amounts payable by AMD Inc. under Section 3.10 shall be calculated in accordance with the terms thereof;

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and, for purposes of each such calculation under the AMD Saxonia Wafer Purchase Agreement and of clause (b) of this Section 6.02 only, the Termination Date under the AMD Saxonia Wafer Purchase Agreement shall be deemed to be the Termination Date hereunder.

(b) AMD Inc. shall purchase from AMD Holding all inventory and work-in-process of AMD Saxonia as of the Termination Date that AMD Holding is required to purchase from AMD Saxonia pursuant to Section 6.02(b) of the AMD Saxonia Wafer Purchase Agreement. The terms and conditions of such sale shall be as set forth in Section 6.02(b) of the AMD Saxonia Wafer Purchase Agreement. The purchase price to be paid by AMD Inc. therefore shall be equal to the purchase price paid or to be paid by AMD Holding therefor under such Section 6.02(b) and shall be paid before the date on which AMD Holding is required to pay for such inventory and work-in-process under the AMD Saxonia Wafer Purchase Agreement.

(c) Upon termination of this Agreement for any reason, any amounts due from AMD Inc. to AMD Holding hereunder (including for this purpose the amounts calculated under 6.02(a) and/or 6.02(b)) shall be aggregated, and any amounts due (whether in the form of an obligation to pay or credit) from AMD Holding to AMD Inc. hereunder (including for this purpose the amounts calculated under 6.02(a) and/or 6.02(b)) and under the Management Service Agreement shall be aggregated. If the aggregate amount payable by AMD Inc. exceeds the aggregate amount payable and/or to be credited by AMD Holding, then each party's obligation to make payment of any such amount will be automatically satisfied and discharged and replaced by an obligation upon AMD Inc. to pay to AMD Holding the excess of the larger aggregate amount over the smaller aggregate amount. If the aggregate amount payable by AMD Holding exceeds the aggregate amount payable by AMD Inc., then each party's obligation to make payment of any such amount will be automatically discharged and the amount of such excess shall be additional compensation to be retained by AMD Holding for the early termination of this Agreement, and AMD Holding shall have no obligation to pay such amount to AMD Inc.

Section 6.03. Survival. The provisions of Sections 3.07, 3.08, 3.09, -----
6.02, 7.09, 7.10, 7.11 and 7.13 shall survive any termination of this Agreement.

ARTICLE VII

Miscellaneous -----

Section 7.01. Representations and Warranties Generally. Each of AMD Inc. -----
and AMD Holding hereby represents and warrants to the other as follows:

(a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to (i) own its assets and to carry on the business in which it is engaged; and (ii) execute, deliver and perform its obligations under this Agreement;

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(b) Corporate Authority; No Conflict. The execution, delivery and performance by it of this 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 it is not in default under or in violation of its charter or by-laws or any law, rule, regulation, order, writ, judgment, injunction, decree, determination, award, indenture or instrument, which default or violation, individually or in the aggregate, would reasonably be expected to have a material adverse effect on its financial condition, business, operations, or prospects;

(c) Valid and Binding Obligations. This Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles; and

(d) No Litigation. No litigation, arbitration proceedings or governmental proceedings are pending or to its knowledge, threatened, which pertain to this Agreement or any of the transactions contemplated thereby.

AMD Inc. acknowledges that it has no right to terminate this Agreement or offset payments hereunder because of any breach by AMD Holding of the representations and warranties contained herein.

Section 7.02. Force Majeure.

(a) A party to this Agreement shall not be liable for the consequences of any failure to perform, or default in performing, any of its obligations, other than its payment obligations, under this Agreement if that party can show that such failure is caused by Force Majeure.

(b) Where there has been any such failure, the said failure shall not be considered non-compliance with any term or condition of this Agreement, and all the obligations (other than payment obligations) and times which because of such failure could not be fulfilled shall be deemed to have been suspended while the failure continues. In addition, the party for whom such obligations and/or times have been suspended shall be entitled to take reasonable steps during the pendency of the relevant Force Majeure to limit its losses resulting from such Force Majeure, and following the termination of such Force Majeure such obligations and/or times shall continue to be suspended for such further reasonable period as is necessary for such party to restore its capacity to perform such obligations and/or meet such times.

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Section 7.03. Relationship of Parties. AMD Holding and AMD Inc. shall at

all times be independent contractors with respect to each other. Nothing in this Agreement shall constitute either party hereto as the partner, joint venturer, employee or agent of the other such party or of AMD Saxonia, and neither AMD Holding nor AMD Inc. shall act or omit to act in such a way as to suggest the contrary to any Person.

Section 7.04. Assignment. This Agreement shall be binding upon and enure

to the benefit of each party hereto and their respective successors and assigns; provided, however, that neither party hereto shall have the right to transfer or assign its interest in this Agreement without the prior written consent of the other party hereto, and, if prior to the Loan Agreement Termination Date, of the Agent; provided further that AMD Holding may assign this Agreement to the Agent

as security for obligations of AMD Saxonia under the Loan Agreement and the Agent may assign this Agreement to any direct transferee of the Plant in the proper exercise of the Agent's enforcement rights in respect of such security.

Section 7.05. Waivers. No delay or omission in exercise of any right or

remedy of either party or any default by the other, and no custom or practice of the parties at variance with the terms of this Agreement, shall impair any right or remedy otherwise available nor shall it be construed as a waiver of any right or remedy. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision. AMD Holding shall have no right to waive any of its rights or remedies under this Agreement prior to the Loan Agreement Termination Date without the prior written consent of the Agent.

Section 7.06. Rights Cumulative. The rights, remedies and powers of each

of the parties contained in this Agreement are cumulative and not exclusive of any rights, remedies or powers provided to the parties by Law. No single or partial exercise by any of the parties hereto of any right, remedy or power under this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 7.07. Notices. All notices and other communications required or

permitted to be given to or made upon either 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, to the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) indicated below, or such other addresses or numbers specified in a notice sent or delivered in accordance with the provisions of this Section 7.07. Any such notice or communication shall be deemed to be given for purposes of this Agreement on the day that such writing or communication is delivered or, in the case only of a telex, TWX or telegram, sent to the intended recipient thereof, or in the case only of telecopier, sent to the intended recipient thereof with confirmation of receipt, all in accordance with the provision of this Section 7.07.

If to AMD Inc.:

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Advanced Micro Devices, Inc.
One AMD Place
P.O. Box 3453
Sunnyvale, California 94088
Attention: General Counsel
Facsimile: +1 408 774 7399

If to AMD Holding:

AMD Saxony Holding GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsführer
Facsimile: +49 351 277 91300

with a copy to:

Dresdner Bank AG
Ostra Allee 9
01067 Dresden
Attention: Betreuung Unternehmenskunden
Facsimile: + 49 351 489 1300

Section 7.08 No Effect on Other Agreements. No provision of this

Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreement between AMD Inc. and AMD Holding except as specifically provided in any such other agreement.

Section 7.09. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND

SHALL BE CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO ITS CONFLICTS OF LAWS PRINCIPLES. THE PARTIES EXPRESSLY EXCLUDE APPLICATION OF THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE SALE OF GOODS OF APRIL 11, 1980.

Section 7.10. Dispute Resolution. Subject to Section 7.10(j) below,

arbitration under this Section 7.10 shall be the exclusive means for a party to seek resolution of any dispute arising out of, relating to or connected with this Agreement, except that either party may bring an action before a competent court for the issuance of provisional or protective measures.

(a) The parties hereto agree to submit any dispute, controversy or claim ("Dispute") arising out of, relating to or in any way connected with this Agreement to final and binding arbitration in Santa Clara County, California, under the Commercial Arbitration Rules and Supplementary Procedures for International Commercial Arbitration of the American Arbitration Association ("AAA") then in force except as modified in accordance with the provisions of this Section 7.10.

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(b) The arbitral tribunal shall be composed of three arbitrators,

one appointed by each party, and the two arbitrators so appointed shall, within 15 days appoint a third arbitrator who shall be chosen from a country other than those of which the parties are nationals, who shall be fluent in English, and who shall act as Chairman of the tribunal.

(c) In arriving at decisions, the arbitrators shall apply the terms and conditions of this Agreement in accordance with the laws of California.

(d) The award shall be deemed a U.S. award for purposes of the Convention the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "New York Convention"). The English language shall be used in the arbitral proceedings and all exhibits and other evidence in a language other than English shall be accompanied by English translations when submitted into evidence before the arbitral tribunal.

(e) The arbitrators are empowered to render the following awards in accordance with any provision of this Agreement or any related agreement: (i) enjoining a party from performing any act prohibited, or compelling a party to perform any act required, by the terms of this Agreement or any related agreement and any order entered pursuant to this Agreement and (ii) ordering such other legal or equitable relief, including any provisional legal or equitable relief, or specifying such procedures as the arbitrator deems appropriate, to resolve any Dispute submitted for arbitration. The parties shall be entitled to discover all documents and other information reasonably necessary for a full understanding of any legitimate issue raised in the arbitration. They may use all methods of discovery customary under U.S. federal law, including but not limited to depositions, requests for admission, and requests for production of documents. The time periods for compliance shall be set by the arbitrators, who may also set limits on the scope of such discovery. The arbitrators shall not be empowered to award consequential or punitive damages.

(f) Either party may file an application in any proper court described in Section 7.11 for a provisional remedy in connection with an arbitrable controversy hereunder, but only upon the ground that the award to which the applicant may be entitled may be rendered ineffectual without provisional relief.

(g) The arbitrators shall issue to both parties a written explanation in English of the reasons for the award and a full statement of the facts as found and the rules of law applied in reaching the decision.

(h) Any monetary award shall be made and shall be payable in DM free of any tax or any deduction.

(i) The award of the arbitral tribunal will be the sole and exclusive remedy between the parties regarding any and all claims and counterclaims with respect to the subject matter of the arbitrated dispute. An award rendered in connection with an arbitration pursuant to this Section 7.10 shall be final and binding upon the parties, and any judgment upon which an award may be entered and enforced in any court of competent jurisdiction.

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(j) Notwithstanding the foregoing, the parties agree that any disputes hereunder relating solely to accounting matters shall be resolved by an auditor, appointed as provided below, acting as an expert (and not as an arbitrator), and that the resolution by such independent auditor of any such matter shall be conclusive between the parties absent manifest error. Such auditor shall be appointed by mutual agreement of the parties' respective auditors, and, if prior to the Loan Agreement Termination Date, of the Agent and shall be an independent and internationally known certified public accounting firm with no affiliation with either the parties, the Agent or any of their respective auditors.

Section 7.11. Consent to Jurisdiction and Forum; AMD Holding Appointment

of Agent for Service of Process.

(a) Subject to Section 7.10, all judicial proceedings brought against either party hereto with respect to this Agreement may be brought in Santa Clara County, California, and by execution and delivery of this Agreement, each such party accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of such courts. In addition, each such party hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such proceedings, and hereby further irrevocably and unconditionally waives and agrees to the fullest extent permitted by law not to plead or claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

(b) AMD Holding hereby irrevocably appoints CT Corporation Services as its agent to receive on behalf of AMD Holding and its property service of copies of the summons and complaint and any other process which may be served in any

proceeding in any state or federal court of competent jurisdiction in the State of California.

Section 7.12. Judgment Currency. The parties hereto agree that, without

prejudice to Sections 7.10 and 7.11 above:

(a) if, for purposes of obtaining hereunder an arbitral award or judgment of any court, it is necessary to convert a sum due hereunder in DM into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the prevailing party could purchase DM with such other currency on the Business Day preceding that on which the final award or judgment (as applicable) is given; and

(b) the obligation of each of the parties hereto in respect of any sum due hereunder from it (the "Payor") to the other party (the "Recipient") shall, notwithstanding any judgment in a currency other than DM, be discharged only to the extent that on the Business Day following receipt by the Recipient of any sum adjudged to be so due in such other currency, the Recipient may, in accordance with normal banking procedures, purchase DM with such other currency; in the event that the DM so purchased is less than the sum originally due to the Recipient, the Payor, as a separate obligation and notwithstanding any such judgment or award, hereby agrees to indemnify and hold harmless the Recipient against such loss, and if the DM so purchased exceeds the sum originally due to the Recipient, the Recipient shall remit to the Payor the excess.

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Section 7.13. Language. This Agreement is in the English language, which

language shall be controlling in all respects.

Section 7.14. Entire Agreement. This Agreement, the AMD Saxonia Wafer

Purchase Agreement, the AMD Holding Research Agreement, the AMD Saxonia Research Agreement, the Management Service Agreement and the License Agreement embody the entire agreement and understanding between the parties with respect to the subject matter hereof. Neither party has relied upon any representation or warranty of the other party in entering into this Agreement except as expressly set forth herein. AMD Inc. further acknowledges and agrees that its obligations hereunder shall remain in full force and effect notwithstanding the breach by AMD Holding of any representation or warranty contained herein.

Section 7.15. Counterparts. This Agreement may be executed in one or more

counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

Section 7.16. Amendments. No modifications or amendments to this

Agreement shall be binding unless in writing and executed by each of the parties hereto. In addition, no modification or amendment to this Agreement may be made without the prior written consent of, if prior to the Loan Agreement Termination Date, the Agent.

Section 7.17. EMU. The European Economic and Monetary Union anticipates

the introduction of a single currency and the substitution of the national currencies of Member States participating in the Monetary Union. On the date on which the DM is replaced by the single currency, conversion into such currency shall take effect. The denomination of the original currency shall be retained for so long as this is legally permissible. Conversions shall be based on the officially fixed rate of conversion. Neither the introduction of the single currency nor the substitution of the national currencies of the Member States participating in European Monetary Union nor the fixing of the official rate of conversion nor any economic consequences that arise from any of the aforementioned events or in connection with European Monetary Union shall give rise to any right to terminate prematurely, contest, cancel, rescind, modify, or renegotiate this Agreement or any of its provisions or to raise any other objections and/or exceptions or to assert any claims for compensation. This Agreement shall continue in full force and effect in accordance with its terms.

[Remainder of page intentionally left blank]

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IN WITNESS OF THE FOREGOING, AMD Inc. and AMD Holding have caused this Agreement to be executed by their authorized representatives as of the date first written above.

ADVANCED MICRO DEVICES, INC.

By: _____
Its: _____

AMD SAXONY HOLDING GMBH

By: _____
Its: Managing Director

SECOND AMENDMENT TO AMD SAXONIA WAFER PURCHASE AGREEMENT

*** 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.

This Second Amendment to AMD Saxonia Wafer Purchase Agreement (this "Second Amendment"), dated as of February 20, 2001 is between:

- (1) AMD Saxony Holding GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Holding");
- (2) AMD Saxony Manufacturing GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Saxonia");

RECITALS

WHEREAS, AMD Saxonia is a wholly-owned Subsidiary (such and other capitalized terms having the meaning assigned thereto in the AMD Saxonia Wafer Purchase Agreement (as defined below)) of AMD Holding, which in turn is a wholly-owned Subsidiary of Advanced Micro Devices, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America ("AMD Inc.");

WHEREAS, AMD Inc., AMD Holding and AMD Saxonia are involved in a project pursuant to which AMD Saxonia is constructing, and owns and operates inter alia the Plant located in Dresden, Germany, to manufacture Wafers using high-volume semiconductor wafer fabrication processes;

WHEREAS, AMD Inc. and AMD Holding are party to the AMD Holding Wafer Purchase Agreement (as amended, supplemented or otherwise modified from time to time, the "AMD Holding Wafer Purchase Agreement"), pursuant to which, among other things, AMD Inc. has agreed to purchase from AMD Holding, and AMD Holding has agreed to supply on an exclusive basis to AMD Inc., all Wafers as are ordered from time to time by AMD Inc. from AMD Holding, in each case on the terms and conditions of the AMD Holding Wafer Purchase Agreement;

WHEREAS, AMD Holding and AMD Saxonia are party to that certain AMD Saxonia Wafer Purchase Agreement dated as of March 11, 1997, as amended by the First Amendment to AMD Saxonia Wafer Purchase Agreement dated as of February 8, 1998 (as so amended, the "AMD Saxonia Wafer Purchase Agreement") pursuant to which AMD Holding has the exclusive right to purchase Wafers from AMD Saxonia in order to enable AMD Holding to fulfill its obligations under the AMD Holding Wafer Purchase Agreement, and AMD Saxonia has agreed on such exclusive basis, to manufacture and sell Wafers to AMD Holding;

WHEREAS, the parties now desire to amend the AMD Saxonia Wafer Purchase Agreement to revise certain pricing and cost reimbursement obligations and to make certain other amendments, all on the terms and conditions more particularly set forth in this Second Amendment.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
Amendments

Section 1.1 The AMD Saxonia Wafer Purchase Agreement shall be amended and restated in the form set out in Schedule A to this Second Amendment.

ARTICLE II
Representations and Warranties

Section 2.1 Each of AMD Holding and AMD Saxonia, severally and for itself alone, hereby represents and warrants to the other as follows:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Second Amendment and to consummate the transactions contemplated by the AMD Saxonia Wafer Purchase Agreement as amended by this Second Amendment;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Second Amendment, and the performance by it of its obligations under the AMD Saxonia Wafer Purchase Agreement as amended by this Second Amendment have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ,

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judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and

- (c) Valid and Binding Obligations. The AMD Saxonia Wafer Purchase Agreement, as amended by this Second Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

ARTICLE III
Miscellaneous

Section 3.1 Miscellaneous.

- (a) This Second Amendment is limited as specified and, except as specifically set forth herein, shall not constitute a modification, amendment or waiver of any other provision of the AMD Saxonia Wafer Purchase Agreement or any provision of any other Operative Document. Except as specifically amended by this Second Amendment, the AMD Saxonia Wafer Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Second Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) This Second Amendment shall be governed by, and shall be construed in accordance with, the internal laws of the State of California, without regard to its conflicts of laws principles.
- (d) This Second Amendment is in the English language, which language shall be controlling in all respects.
- (e) This Second Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple counterparts and attached

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to a single counterpart so that all signature pages are physically attached to the same document.

[remainder of page intentionally left blank]

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IN WITNESS OF THE FOREGOING, AMD Holding and AMD Saxonia have caused this Second Amendment to be executed by their authorized representatives as of the date first written above.

AMD SAXONY HOLDING GMBH

By: /s/ Thomas M. McCoy

Its: Managing Director

AMD SAXONY MANUFACTURING GMBH

By: /s/ James Doran

Its: Managing Director

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Schedule A

Amended and Restated
AMD Saxonia Wafer Purchase Agreement.

Schedule A-1

Schedule A

Amended and Restated

AMD SAXONIA WAFER PURCHASE AGREEMENT

as amended by the First Amendment
to AMD Saxonia Wafer Purchase Agreement
dated as of February 6, 1998
and by the Second Amendment to
AMD Saxonia Wafer Purchase Agreement
dated as of February 20, 2001

between

AMD SAXONY HOLDING GMBH

and

AMD SAXONY MANUFACTURING GMBH

AMD SAXONIA WAFER PURCHASE AGREEMENT (as amended)

This AMD Saxonia Wafer Purchase Agreement (as amended, supplemented or otherwise modified from time to time, this "Agreement") dated as of March 11, 1997 is between:-

- (1) AMD Saxony Holding GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Holding"); and
- (2) AMD Saxony Manufacturing GmbH, a Gesellschaft mit beschränkter Haftung organized and existing under the laws of Germany and registered in Dresden, Germany ("AMD Saxonia").

RECITALS

WHEREAS, AMD Saxonia is a wholly-owned Subsidiary (such and other capitalized terms having the meaning assigned thereto in Section 1.01) of AMD Holding, which in turn is a wholly-owned Subsidiary of Advanced Micro Devices, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America ("AMD Inc.");

WHEREAS, AMD Inc., AMD Holding and AMD Saxonia are currently involved in the initial planning stages of a project pursuant to which AMD Saxonia will construct, own and operate inter alia the Plant to be located in or near Dresden, Germany, to manufacture Wafers using high-volume semiconductor wafer fabrication processes;

WHEREAS, concurrently herewith, AMD Inc. and AMD Holding are entering into the AMD Holding Wafer Purchase Agreement (as amended, supplemented or otherwise modified from time to time, the "AMD Holding Wafer Purchase Agreement"), pursuant to which, among other things, AMD Inc. will agree to purchase from AMD

Holding, and AMD Holding will agree to supply on an exclusive basis to AMD Inc., all Wafers as are ordered from time to time by AMD Inc. from AMD Holding, in each case on the terms and conditions of the AMD Holding Wafer Purchase Agreement;

WHEREAS, on the terms and conditions of this Agreement, including the payment terms of Article III, AMD Holding wishes the exclusive right to purchase Wafers from AMD Saxonia in order to enable AMD Holding to fulfill its obligations under the AMD Holding Wafer Purchase Agreement, and AMD Saxonia is willing, on such exclusive basis, to manufacture and sell Wafers to AMD Holding, all on the terms and conditions of this Agreement: and

WHEREAS, concurrently herewith, (i) AMD Inc. and AMD Holding are entering into the AMD Holding Research Agreement, (ii) AMD Inc., AMD Holding and AMD Saxonia are entering into the License Agreement and the amendment and restatement of the Management Service Agreement referred to in the definition thereof, and (iii) AMD Holding and AMD

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Saxonia are entering into the AMD Saxonia Research Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

Interpretation

Section 1.01. Definitions. The following terms shall, unless the context requires otherwise, have the respective meanings assigned to them as follows:

- (1) "AAA" has the meaning assigned to it in Section 7.10;
- (2) "Actual Volume" means, with respect to any Month, the actual number of Wafers Shipped by AMD Saxonia to AMD Holding during that Month;
- (3) "Advance Payment Adjustment Amount" has the meaning assigned to it in Section 3.05
- (4) "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 FASL shall be deemed to be an Affiliate of

AMD Inc. for purposes of this Agreement;
- (5) "Agent" means Dresdner Bank Luxembourg S.A., as Agent under the Loan Agreement, including any successor to Dresdner Bank Luxembourg S.A. in that capacity;
- (6) "Agreement" has the meaning assigned to it in the introduction to this Agreement;
- (7) "AMD Holding" has the meaning assigned to it in the introduction to this Agreement;
- (8) "AMD Holding Research Agreement" means that certain AMD Holding Research, Design and Development Agreement entered into concurrently herewith between AMD Inc. and AMD Holding, as such agreement may be amended, supplemented or otherwise modified from time to time;
- (9) "AMD Holding Wafer Purchase Agreement" has the meaning assigned to it in the Recitals to this Agreement;
- (10) "AMD Inc." has the meaning assigned to it in the Recitals to this Agreement;

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- (11) "AMD Saxonia" has the meaning assigned to it in the introduction to this Agreement;
- (12) "AMD Saxonia Research Agreement" means that certain AMD Saxonia Research, Design and Development Agreement entered into concurrently herewith between AMD Holding and AMD Saxonia, as such agreement may be amended, supplemented or otherwise modified from time to time;
- (13) "Applicable Percentage" has the meaning assigned to it in Section

3.03(b);

- (14) "Banks" means the banks from time to time party to the Loan Agreement;
- (15) "Banks' Auditor" shall have the meaning assigned to it in the Loan Agreement;
- (16) "Budgeted Start-up Costs" means DM *** which is the amount of aggregate Start-up Costs as determined in the Management Plan;
- (17) "Business Day" means any day of the year on which banks are open for the purpose of conducting a commercial banking business in each of Frankfurt, Dresden, San Francisco, and London, and when used with reference to payment in any currency, on which dealings are carried out in the London Interbank Market with respect to such currency;
- (18) "Completion Date" means the date on which Completion (as defined in the Sponsors' Support Agreement) takes place;
- (19) "Design Center" means the research, design and development facility, owned and operated by AMD Saxonia and associated with the Plant, to be used 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;
- (20) "Dispute" has the meaning assigned to it in Section 7.10;
- (21) "Dollars" means the lawful money of the United States of America from time to time;
- (22) "DM" means the lawful currency from time to time of Germany;
- (23) "Effective Date" means the earlier of (i) December 28, 1998, which day is the first day of AMD Saxonia's first Fiscal Quarter of its Fiscal Year 1999, or (ii) the first day of AMD Saxonia's Fiscal Quarter which commences immediately following the first commercial shipment of Products;

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

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- (24) "Excess Start-up Costs" means the excess, if any, of Start-up Costs over Budgeted Start-up Costs;
- (25) "FASL" means Fujitsu AMD Semiconductor Limited, a joint venture organized under the laws of Japan between AMD Inc. and Fujitsu Limited;
- (26) "Fiscal Month" means each monthly fiscal accounting period of AMD Saxonia, ending on or about the last day of each calendar month and corresponding with the fiscal accounting period of AMD Inc.;
- (27) "Fiscal Quarter" means each quarterly fiscal accounting period of AMD Saxonia, ending on or about the last day of March, June, September or the last Sunday in December and corresponding with the fiscal accounting period of AMD Inc.;
- (28) "Fiscal Year" means each annual fiscal period of AMD Saxonia, ending on the last Sunday in December;
- (29) "Force Majeure" means with respect to AMD Saxonia or AMD Holding, as the case may be, an event which is not within the reasonable control of the Person seeking to rely on the existence of Force Majeure, where the adverse effect of such event on such Person's compliance with its obligations under this Agreement is not preventable by such Person using all reasonable care and diligence. Such events may include, without limitation, the following: acts of war (whether declared or undeclared), invasion, armed conflict, acts of one or more enemy of the United States of America, Germany or any other country or jurisdiction; blockade or embargo, revolution, riot, bombs, insurrection or other civil disturbance, sabotage, terrorism or the threat of any of the foregoing, nuclear explosion, radioactive or chemical contamination or ionizing radiation, strikes, lockouts, industrial action or labor disputes, any effect of the natural elements including without limitation lightning, fire, earthquake, flood, strike and other unusual or extreme adverse weather or environmental conditions or actions of the elements, epidemic or plague, loss of or damage to the Plant and/or machinery, equipment or materials at, for or in transit to the Plant, acts of God and any events or circumstances analogous to any of the above;

- (30) "German GAAP" means accounting principles and practices generally accepted in Germany, consistently applied throughout the periods involved;
- (31) "Germany" means the Federal Republic of Germany;
- (32) "Governmental Authority" means any German domestic or foreign government, court or governmental body, department, agency, commission, authority or instrumentality;
- (33) "Improvements" means any development, enhancement, improvements, upgrades, modifications and updates (including error corrections), translations and derivative works;

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- (34) "Initial Termination Date" has the meaning assigned to it in Section 6.01(a);
- (35) "Intellectual Property" has the meaning assigned to it in Section 4.01;
- (36) "Know-how" means know-how, show-how, methods, techniques, procedures, formulations, formulae, assembly, installation, operating and quality control procedures and manuals, quality control standards, technical information, technical and product specifications, equipment requirements, writings, plans, drawings, designs, layouts, data, equipment descriptions, masks, mask works, systems, toolings, software, data, copyrightable material, trade secrets, inventions (whether patentable or not), improvements, developments, discoveries and any other information or intellectual property rights which may not lie within, may only partially lie within or may lie completely within the domain of public knowledge;
- (37) "Law" means all present and future laws, regulations, ordinances, permits or other requirements having legal effect;
- (38) "License Agreement" means the License Agreement among AMD Inc., AMD Holding and AMD Saxonia entered into concurrently herewith, as such License Agreement may be amended, supplemented or otherwise modified from time to time;
- (39) "Loan Agreement" means the Loan Agreement, dated March 11, 1997 among AMD Saxonia, the Banks, the Agent, the Security Agent and the Paying Agent, as such Loan Agreement may be amended, supplemented or otherwise modified from time to time;
- (40) "Loan Agreement Termination Date" means the first day on which (i) all Secured Obligations (under, and as defined in, the Sponsors' Support Agreement) have been paid in full, and (ii) the Banks have no commitments under the Loan Agreement);
- (41) "Management Plan" means that certain Management Plan of AMD Saxonia dated February 1997;
- (42) "Management Service Agreement" means, together, that certain Management Service Agreement dated as of January 1, 1996 and that certain letter agreement dated April 9, 1996 between AMD Inc. and AMD Saxonia, as amended and restated among AMD Inc., AMD Holding and AMD Saxonia as of the date hereof (a copy of which amendment and restatement is attached hereto as Exhibit III), and as such amended and restated agreement may be further amended, supplemented or otherwise modified from time to time;
- (43) "Month" means any Fiscal Month of AMD Saxonia commencing on or after the Effective Date; provided that no Month shall extend beyond, and the final Month shall end on, the Termination Date;

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- (44) "New York Convention" has the meaning assigned to it in Section 7.10;
- (45) "Paying Agent" means Dresdner Bank Luxembourg S.A., as paying agent under the Loan Agreement, including any successor to Dresdner Bank Luxembourg S.A. in that capacity;
- (46) "Period" means any Fiscal Quarter of AMD Saxonia commencing on or after the Effective Date; provided that no Period shall extend beyond, -----
and the final Period shall end on, the Termination Date;
- (47) "Person" means an individual, partnership, joint venture, trustee, trust, corporation, unincorporated association or other entity, or a

government, state or agency or political subdivision thereof;

- (48) "Plant" means the advanced production facility to be constructed, owned and operated by AMD Saxonia in or near Dresden, Germany to manufacture Wafers using high-volume semiconductor wafer fabrication processes;
- (49) "Product" means a Wafer containing identical individual integrated circuits meeting Specifications that have been supplied by or on behalf of AMD Holding to AMD Saxonia in accordance with Sections 2.01 and 4.01(a);
- (50) "Production Problems" means any circumstances other than those resulting from Force Majeure pertaining to AMD Saxonia, which prevent or delay the manufacture or shipment of a Product by AMD Saxonia, including any temporary or permanent inability to apply or continue to apply Intellectual Property in the manufacture of such Product;
- (51) "Qualified Personnel" has the meaning assigned to it in Section 4.02;
- (52) "Security Agent" means Dresdner Bank AG, as security agent under the Loan Agreement, including any successor to Dresdner Bank AG in such capacity;
- (53) "Selling Price Per Wafer" has the meaning assigned to it in Section 3.03(b);
- (54) "Shipped" means, with respect to any Products and any Month, Products delivered by AMD Saxonia F.O.B. Dresden, Germany pursuant to Section 3.09 during that Month in accordance with this Agreement;
- (55) "Specifications" means, with respect to a Product, the tooling, masks, mask-works, specifications, blueprints, drawings, assembly instructions and other instructions required for the manufacture of that Product;
- (56) "Sponsors' Support Agreement" means the Sponsors' Support Agreement entered into concurrently herewith among AMD Inc., AMD Holding, the Agent, and the Security Agent, as such agreement may be amended, supplemented or otherwise modified from time to time;

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- (57) "Start-up Cost Adjustment Certification" means certification in the form of a certificate substantially in the form of Exhibit I to this Agreement;
- (58) "Start-up Costs" means the aggregate amount of Total Costs incurred by AMD Saxonia prior to the Effective Date;
- (59) "Start-up Cost Savings" means the excess, if any, of Budgeted Start-up Costs over Start-up Costs;
- (60) "Subsidiary" means, with respect to any Person, any other Person of which more than 50% of the total voting power of shares of stock or other ownership interest entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof;
- (61) "Surcharge" has the meaning assigned to it in Section 3.07;
- (62) "Technical Advisor" has the meaning assigned to it in the Sponsors' Support Agreement;
- (63) "Technical Documentation" for any Know-how means manuals and other documentation in which such Know-how is recorded and all specifications, programs, software, formulae, drawings, sketches, plans, blueprints, design materials, manuals and other technical or organizational documentation for such Know-how;
- (64) "Termination Date" has the meaning assigned to it in Section 6.01;
- (65) "Total Costs" means, for any Month, all costs incurred, paid or accrued by AMD Saxonia and included for that Month in the "Results from ordinary activities" (Ergebnis der gewöhnlichen Geschäftstätigkeit) in accordance with German GAAP (i.e., (S) 275 of the German Commercial Code (Handelsgesetzbuch), an English translation of which is attached as Exhibit II to this Agreement) plus extraordinary expenses plus all taxes other than corporation tax (Körperschaftsteuer), solidarity levy (Solidaritatzuschlag) and value added tax (Umsatzsteuer), all as shown in the statutory income statement of AMD Saxonia; provided that

- (a) German GAAP, solely for purposes of this definition, shall be applied according to the accounting options specified under items (i) through (x) of this definition below regardless of whether German GAAP is so applied in the statutory income statement of AMD Saxonia;
- (b) Total Costs shall be reduced by any revenue or income (other than revenue under this Agreement and the AMD Saxonia Research Agreement) accrued or received by AMD Saxonia, which revenue or income shall include any interest accrued or received by AMD Saxonia including

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income earned on deposits and investments, as well as net payments received in respect of hedging transactions;

- (c) Total Costs shall not include any AMD Saxonia costs reimbursed by AMD Inc. pursuant to Article 11 of the AMD Saxonia Research Agreement;
- (d) Total Costs shall include all interest expense paid or accrued by AMD Saxonia, including without limitation all interest expense relating to loans to AMD Saxonia from third parties and from Affiliates of AMD Saxonia.
- (e) Without limiting the generality of clause (d) of this definition, interest expense shall include interest at the rate of 7% per annum (calculated on the basis of actual days and months and compounded monthly) on each Sponsors' Loan and accrued but unpaid interest at the rate of 1% over the Applicable Rate on each Revolving Loan from the date made, irrespective of whether such Sponsors' Loan is made as a loan or as an equity contribution, whether such Sponsors' Loan or such Revolving Loan bears interest at such rate, whether such interest has been waived or capitalized or whether the obligation to pay such interest has been deferred or subordinated. The expressions Applicable Rate, Revolving Loan and Sponsors' Loan shall each have the meaning ascribed thereto in the Sponsors' Support Agreement;
- (f) Total Costs shall be reduced by the amount of any grants, allowances, interest subsidies, and expense reimbursements received by AMD Saxonia from the Republic of Germany, the Sachliche Aufbaubank, the Free State of Saxony, the City of Dresden, or from any other Governmental Authority, and such reduction shall be made in the manner specified in (iv) or (v) below (as applicable);
- (g) Total Costs in a Month in which amounts are paid by AMD Holding to AMD Saxonia pursuant to Section 3.07 below shall be reduced by such amount; provided that such Total Costs shall not be reduced -----
by the amount of the Surcharge;
- (h) Total Costs for any Month after the Effective Date shall be increased by the amount of the Total Costs in the immediately preceding Month. (if any) if no Products were shipped during such preceding Month (and the parties hereto acknowledge that the amount by which the Total Costs shall be increased pursuant to this clause (h) therefore corresponds to the aggregate Total Costs for all immediately preceding consecutive Months in which no Products were Shipped, in each case without giving effect to this clause (h));
- (i) For the avoidance of doubt, Total Costs for each Month shall neither be (a) decreased for that Month by the amount by which the inventory at the end

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of that Month exceeds the amount of the inventory at the end of the immediately preceding Month, nor (b) increased for that Month by the amount by which the inventory at the end of that Month is less than the amount of the inventory at the end of the immediately preceding Month.

With reference to clause (a) of this definition above,

- (i) Start-up Costs will not be capitalized;
- (ii) depreciation of fixed assets will be applied on a straight-

line basis on the assumption of useful lives of 25 years for buildings (shell), ten years for other non-movables (i.e., installations (Betriebsvorrichtungen) including, without limitation, the "clean room") and five years for movables (machinery, tools and other equipment) (these depreciation schedules may be adjusted due to changes in the official depreciation schedules);

- (iii) exceptional depreciation in order to state fixed assets at a lower value, and reversals of such depreciation in the case that the reasons for an exceptional depreciation no longer exist, will be included;
- (iv) revenues from investment grants (Investitionszuschuesse) and allowances (Investitionszulagen) will be allocated chronologically to the investments in buildings, machinery, tools and other equipment to which they relate for the AMD Saxonia Fiscal Years 1996 to 2005. They will be amortized parallel to the depreciation of the corresponding fixed assets and so will reduce these depreciation costs;
- (v) Without limiting the generality of clause (a) of this definition, such amortization shall occur regardless of whether AMD Saxonia elects to treat some or all of such grants and allowances as income in the year received for purposes of AMD Saxonia's statutory financial statements;
- (vi) All grants, allowances, interest subsidies, or expense reimbursements described in clause (f) of this definition but which are not investment grants (Investitionszuschuesse) or allowances (Investitionszulagen) will reduce Total Costs in the Month received by the full amount received in that Month;
- (vii) write-downs on current assets due to obsolescence or solvency reasons will be included;
- (viii) inventory will be valued at the lower valuation limit according to German Income Tax Regulation (R 33

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Einkommensteuerrichtlinien) in effect on the date of this Agreement;

- (ix) (viii) if there is a fiscal unit (Organschaft) implemented for trade tax purposes, the portion of trade taxes (Gewerbeertragsteuer) paid by AMD Holding and attributable to the trading profit and capital of AMD Saxonia will be included;
 - (x) deferred taxes (latente Steuern specified in (S) 274 of the German Commercial Code (Handelsgesetzbuch)) will not be included; and
 - (xi) accruals for repairs and maintenance expenses, necessary demolition and/or dismantlement, environmental obligations and other future expenses (so-called Aufwandsrückstellungen, (S) 249 Section 2 of the German Commercial Code (Handelsgesetzbuch)) will be included to the extent they are made in the statutory financial statements of AMD Saxonia;
- (66) "Wafer" means a silicon wafer onto which many identical individual integrated circuits have been etched or otherwise imprinted; and
- (67) "Wafer Fabrication Plant" means (a) the Plant, (b) for so long as such plant is owned or controlled (including under lease) by AMD Inc. or one or more of its Subsidiaries, AMD Inc.'s plant located in Austin, Texas and known as "Fab 25", and (c) any other high volume semiconductor wafer fabrication plant constructed or otherwise acquired by AMD Inc. and/or one or more of its Subsidiaries after the date hereof which produces Wafers containing Microsoft-compatible general purpose microprocessors.

Section 1.02. Construction of Certain Terms.

(a) Unless otherwise specifically provided, (i) references to the singular shall include the plural and vice versa, and references by way of masculine pronoun or adjective shall include references by way of the feminine; (ii) references to Articles, Sections and Subsections shall be to Articles, Sections and Subsections of this Agreement; (iii) accounting terms are to be construed in accordance with German GAAP; (iv) save where expressly stated to the contrary, all references to money, costs and payments in this Agreement are to money,

costs and payments in DM; and (v) references to days in this Agreement shall be to calendar days.

(b) The index to and headings in this Agreement are inserted for convenience only and are to be ignored in construing this Agreement.

ARTICLE II

Manufacture of Products

Section 2.01. Manufacture by AMD Saxonia of Products for Sale to AMD

Holding.

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(a) On the terms and subject to the conditions of this Agreement, AMD Saxonia hereby agrees to manufacture and sell Products to AMD Holding; provided

that prior to the Completion Date AMD Saxonia (i) shall be required only to use its reasonable efforts to manufacture and sell such Products in accordance with the requirements of this sentence, and (ii) shall not be required to take any steps hereunder to manufacture and sell such Products to the extent such steps at such time could reasonably be expected to delay Completion (as defined in the Loan Agreement) of the Plant. AMD Saxonia further agrees that, during the term of this Agreement, unless AMD Inc., AMD Holding and, prior to the Loan Agreement Termination Date, the Agent, otherwise consent thereto, it shall not, directly or indirectly, (i) market, distribute or sell any Products or any other goods or services to any Person other than AMD Holding, AMD Inc. or one or more of AMD Inc.'s other Subsidiaries under any circumstances, or (ii) engage in any activities other than (v) construction of the Plant and the Design Center, (w) provision of the services contemplated by the AMD Saxonia Research Agreement, (x) manufacture and sale of Products to be Shipped pursuant to this Agreement and (y) activities reasonably incidental to any of the foregoing.

(b) On the terms and subject to the conditions of this Agreement, AMD Holding hereby agrees to purchase from AMD Saxonia and pay for the Products Shipped to it pursuant to the terms of this Agreement.

(c) AMD Holding shall from time to time provide, or shall arrange for AMD Inc. to provide, to AMD Saxonia technical assistance as required in Article IV, including disclosure to AMD Saxonia of such of the Know-how and Specifications of AMD Inc. and its Subsidiaries, or which AMD Inc. or its Subsidiaries have the right to use, as is necessary or, in the reasonable opinion of AMD Saxonia, desirable, to enable AMD Saxonia to manufacture Products on a timely basis, in accordance with the Specifications for the relevant Product, as required by AMD Inc. under the AMD Holding Wafer Purchase Agreement. Any disclosure of Know-how and Specifications (including without limitation by way of technical assistance pursuant to Article IV) to AMD Saxonia by or on behalf of AMD Holding (including without limitation any such disclosure arranged by AMD Holding as contemplated hereby) shall be subject to the License Agreement.

(d) AMD Saxonia shall, as soon as is reasonably practicable (i) after the disclosure to it of the Know-how and Specifications for a Product as contemplated in Subsection 2.01 (c) and Article IV, and (ii) without at any time prior to the Completion Date being required to take any steps hereunder to manufacture and sell such Products to the extent such steps at such time could reasonably be expected to delay Completion (as defined in the Loan Agreement) of the Plant, submit to AMD Holding (or as directed by AMD Holding) for approval pre-production samples of the Product. AMD Holding shall communicate its approval or disapproval of any such samples no later than two weeks after such samples are submitted to AMD Holding for such approval (and shall be deemed to have approved such samples under this Section 2.01 (d) for all purposes of this Agreement if it has not communicated any such disapproval within such two week period). AMD Saxonia shall not commence manufacture of such Product until AMD Holding has approved or is deemed to have approved the samples. Approval shall not be unreasonably withheld or delayed by AMD Holding (each of the parties hereto agrees that, for this purpose, disapproval by AMD Holding because of any reasonable disapproval by AMD Inc. of such samples pursuant to the AMD Holding Wafer Purchase Agreement, shall not be deemed

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unreasonable) and, once given, shall constitute irrevocable confirmation that the Products manufactured in conformity with the samples (or differing only within normal silicon computer chip industry limits) will comply with the Specifications and will meet the requirements of quality specified in Section 2.03, except in respect of defects in such samples or future production which are not capable of being revealed on reasonable inspection by AMD Holding.

(e) Each of AMD Holding and AMD Saxonia shall nominate one or more senior managers or representatives (which representatives, in the case of AMD Holding,

may include or be senior managers of AMD Inc.) who shall be responsible for liaising in connection with the manufacture and development of the Products.

Section 2.02. Compliance with Laws and Required Permits.

(a) AMD Saxonia shall, at its cost and expense, use commercially reasonable efforts to (i) comply with all applicable Laws relating to the manufacture and sale of the Products, and (ii) obtain all requisite consents, authorizations, permits and approvals for the manufacturing and sale to AMD Holding and the sale by AMD Holding to AMD Inc. of the Products from each Governmental Authority having jurisdiction over the manufacture and sale of the Products by AMD Saxonia and AMD Holding; provided, however, that AMD Saxonia shall not be responsible for obtaining any consents, authorizations, permits or approvals in connection with the import of Products into any territory outside Germany.

Section 2.03. Quantity of Products; Inspection and Rejection; Replacement

Products. Without prejudice to AMD Holding's obligation to make payment for

Products Shipped pursuant to Section 3.10:

(a) AMD Saxonia shall use all reasonable efforts to ensure that each Product Shipped meets the Specifications for that Product. In order to assist AMD Saxonia in such efforts and for the purpose of assuring to AMD Holding the quality of the Products required under this Agreement, AMD Saxonia shall permit the duly authorized representatives of AMD Holding and/or AMD Inc., at any time during normal working hours and on reasonable notice, to inspect any premises of AMD Saxonia, and shall use all reasonable efforts to permit such representatives, at such time and on such notice, to inspect any premises of any third party where any of the Products, or any labeling or packaging for them, are manufactured or stored by or for AMD Saxonia.

(b) AMD Holding shall promptly notify AMD Saxonia in writing should the quality of the Products Shipped vary materially from the typical quality of the four previous shipments or, in the case of the first four shipments, from the quality of the previous shipments. In such event, AMD Saxonia shall use its reasonable commercial efforts to restore the quality of the Products delivered hereunder to again meet such typical quality as soon as reasonably possible.

ARTICLE III

Purchase Price and Delivery of Products

Section 3.01. Descriptive Overview of Product Pricing. Without derogating

from Sections 3.02 through 3.12 hereunder:

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It is the intention of the parties hereto that from and after the Effective Date AMD Holding shall purchase Products which it orders from AMD Saxonia and are Shipped by AMD Saxonia in accordance with the requirements of this Agreement. The purchase price for the Products will be set at a price per Wafer equal to the Selling Price Per Wafer, which will be determined on a "cost-plus" basis for any Month.

For all Products Shipped during any Month, AMD Holding shall make payments to AMD Saxonia based on the Selling Price Per Wafer. In the event no shipments of Products are made during any Month following the Effective Date, AMD Holding shall at the end of such Month make advance payments to AMD Saxonia, against Products to be Shipped during the following Month, in an amount corresponding to the Applicable Percentage (as defined in Section 3.03(b)) of AMD Saxonia's Total Costs incurred in that Month. Such advance payments shall be included as Total Costs in the next Month in which Products are Shipped.

Within 25 days after the end of each Month (other than one in which no Products are Shipped), AMD Saxonia shall determine the Selling Price Per Wafer for such Month on the basis of its Total Costs actually incurred during that Month and the Applicable Percentage in accordance with Section 3.03. The parties acknowledge that this pricing mechanism may have the result of dictating a high price per Wafer for any Month in which only relatively few Wafers are Shipped and that after the Effective Date it will result in a full cost reimbursement during each year (except for the first twelve Months after the Effective Date during which the Applicable Percentage is 75%).

In the event Start-up Cost Savings are realized or Excess Start-up Costs are incurred prior to the Effective Date, these will be compensated in eight equal quarterly-payments after the Effective Date pursuant to Section 3.04.

Section 3.02. Intentionally Deleted.

Section 3.03. Definition of Selling Price Per Wafer.

(a) Promptly, but in any event not later than 25 days after the end of each Month, the Selling Price Per Wafer for that Month shall be calculated in accordance with the formula contained in Section 3.03(b). Such calculation shall be based on the Total Costs actually incurred during such Month and the Actual Volume for such Month.

(b) For any Month the "Selling Price Per Wafer" shall be calculated in accordance with the following formula:-

$$\begin{array}{rcl} \text{Selling Price} & & \text{Applicable} \\ \text{Per Wafer} = & \text{TC} \times & \text{Percentage} \\ & \text{-----} & \\ & \text{AV} & \end{array}$$

where:

"Applicable Percentage" shall be (i) 75% in the case of the first twelve Months, (ii) 105% in the case of the next twelve Months and (iii) 110% in the case of each subsequent Month;

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"AV" means the Actual Volume for that Month;

"TC" is AMD Saxonia's Total Costs for or in respect of that Month.

Section 3.04. Payment in First Eight Periods to reflect certain Excess

Costs or Costs Savings.

(a) In the first eight Periods only, one-eighth the amount of any (i) Excess Start-up Costs shall be paid by AMD Holding to AMD Saxonia no later than 30 days after the end of each such Period, and (ii) Start-up Cost Savings shall be credited by AMD Saxonia against amounts owed or to be owed by AMD Holding under this Agreement.

(b) The amount of Excess Start-up Costs and Start-up Cost Savings shall be determined in any event not later than 60 days after the Effective Date. In the event Start-up Costs have not been conclusively determined prior to the date 30 days after the end of the first Period, such Start-up Costs shall be estimated for purposes of the payment contemplated for that first Period under Section 3.04(a), and the payment required under Section 3.04(a) for the next Period shall be increased or decreased by the shortfall or excess, respectively, in the amount of the payment for that first Period from the amount it would have been if it had been made based on actual instead of estimated Start-up Costs.

Section 3.05. Advance Payment Adjustment to Reimburse Total Costs in

Certain Months during which no Wafers are Shipped. For any Month after the

Effective Date during which no Products are Shipped, promptly after the end but in any event not later than 30 days after such Month, AMD Holding shall make an advance payment in the amount of AMD Saxonia's Total Costs (without giving effect to clause (h) of the definition thereof) during that Month multiplied by the Applicable Percentage for that Month (the "Advance Payment Adjustment Amount") against the first Wafers Shipped in the succeeding Month in which Wafers are Shipped.

Section 3.06. Intentionally Deleted.

Section 3.07. Annual Compensation for Certain Administrative Costs. AMD

Holding shall compensate AMD Saxonia for any administrative costs, including without limitation bookkeeping, legal and accounting costs, incurred by AMD Saxonia from time to time for the direct benefit of AMD Holding, as follows. The parties agree that the amount payable by AMD Holding to AMD Saxonia under this Section 3.07 shall be DM 50,000 per annum for each Fiscal Year (and pro-rated for any portion of a Fiscal Year) from the date hereof until the Effective Date, payable no later than 30 days after the end of each Fiscal Year. In addition, AMD Holding shall compensate AMD Saxonia for any such costs, determined in accordance with German GAAP, incurred by AMD Saxonia on or after the Effective Date, plus a surcharge thereon of 7.5% (the "Surcharge"), no later than 30 days after the end of each Fiscal Year.

Section 3.08. Intentionally Deleted.

Section 3.09. Shipping Terms. AMD Saxonia shall deliver the Products

 purchased hereunder F.O.B. Dresden, Germany. AMD Holding will arrange and be responsible for and pay all freight, trucking, insurance and other charges incurred in connection with the shipment of the Products from Dresden, Germany, to such place or places of delivery as specified by AMD Holding.

Section 3.10. Payments; Set Off.

 (a) AMD Holding shall pay to AMD Saxonia the Selling Price Per Wafer for all Products Shipped by AMD Saxonia and, to the extent paid by AMD Saxonia, the costs and expenses for freight and insurances, unconditionally within 30 days after receipt of invoices denominated in DM from AMD Saxonia in accordance with this Section 3.10. AMD Saxonia shall be entitled to issue invoices to AMD Holding on a monthly basis. Payment for all other amounts due hereunder from either party (including any adjustment amount) shall be unconditionally due on or before the date specified in this Agreement for such amount.

(b) All amounts under this Agreement not paid when due from AMD Holding shall bear interest at the rate of 7.0% per annum from the date due until paid, calculated on the basis of actual days and months elapsed. Such interest shall be due and payable at the end of each calendar month. In no event shall the interest charged exceed the maximum amount permitted under law.

(c) The obligations of AMD Holding under this Agreement are intended by the parties to be absolute and unconditional under any and all circumstances except to the extent expressly stated in this Agreement, and are intended to be independent of the rights and obligations of AMD Saxonia and AMD Holding or of any of their Affiliates or of any third party under this Agreement or any other agreement or arrangement in each case except as expressly stated in this Agreement.

(d) The parties hereto hereby expressly acknowledge, agree, and understand that the payment by AMD Holding of all amounts payable by it hereunder as required by this Agreement shall in no way be prevented, delayed, or otherwise affected as a result of any dispute between the parties (or between any of the parties and their Affiliates) or by any breach of this Agreement or any other agreement entered into in connection herewith and/or any adverse change in the financial or economic condition of AMD Saxonia or any Affiliate thereof, including without limitation AMD Saxonia's or any such Affiliate's liquidation or bankruptcy, or any kind of insolvency proceeding in respect thereof.

(e) Except as otherwise expressly provided herein, no obligations of AMD Holding under this Agreement shall be subject to any counterclaim, set-off, deduction, withholding, or defense based upon (and without prejudice to) any claim that AMD Holding may have against AMD Saxonia, any of its Affiliates, or any other Person, or released, discharged, or in any way affected for any reason or through any circumstances whatsoever (other than as required by any mandatory non-waivable requirements of law) including, without limitation, (i) any breach of any representation or warranty on the part of AMD Saxonia under or in connection with this Agreement or any other agreement entered into in connection herewith or any failure of AMD Saxonia to perform any of its agreements, covenants, or other obligations hereunder or

thereunder, or (ii) any other circumstance which might constitute a legal or equitable discharge or defense of AMD Holding; provided that, as between AMD Holding and AMD Saxonia (and without prejudice to any rights of subrogation that may arise), payment or performance by AMD Inc. or any other Person of any obligation of AMD Holding hereunder shall constitute payment or performance (as applicable) of such obligation hereunder.

(f) Any amounts that are due from AMD Saxonia to AMD Holding hereunder shall be payable only in the form of credit against amounts owed or to be owed by AMD Holding to AMD Saxonia under this Agreement, except to the extent expressly provided in Section 4.04. Any amount that is due from AMD Holding to AMD Saxonia hereunder may be set-off against any payment then due (whether as a credit or otherwise) under Sections 3.03, 3.04, 3.10 or 6.02, Article IV or the Management Service Agreement, from AMD Saxonia to AMD Holding.

Section 3.11. Method of Payment. Payments under this Agreement from AMD

 Holding to AMD Saxonia, if made other than by set-off permitted by Section 3.10, shall be made by wire transfer deposited into ***or such other account of AMD Saxonia specified by AMD Saxonia with the prior written consent of the Agent (a copy of which consent shall be delivered by AMD Saxonia to AMD Holding) with not less than 15 days written notice to AMD Holding, and all such payments shall be made in DM or the Dollar equivalent thereof, or a combination of DM and Dollar equivalents, in each case at the option of AMD Saxonia. As used herein,

Dollar equivalents shall be calculated as the amount, expressed in Dollars, resulting from the conversion of DM to Dollars at the Agent's spot rate of exchange as in effect on the date of the relevant invoice.

Section 3.12. Intentionally Deleted.

Section 3.13. Adjustments for Changes in Laws or German GAAP. In the event that there is a change in applicable Law or in German GAAP, and such change results in (i) payments due from AMD Holding to AMD Saxonia, or due from AMD Saxonia to AMD Holding (as the case may be), being materially different in aggregate amount or (ii) the timing of the receipt of such payments being materially different from the payments contemplated by this Article III without giving effect to such change, the affected party shall promptly notify the other party, AMD Inc. and the Agent, and AMD Holding and AMD Saxonia shall negotiate in good faith with a view to agreeing to such reasonable amendments to this Article III and the definitions used therein (which amendments shall be made only with the prior written consent of the Agent), as are necessary as a result of such change. In order to restore the position contemplated by this Article III in the event AMD Holding and AMD Saxonia fail to reach agreement on such amendments within 30 days of becoming aware of such change, or if the Agent reasonably withholds its consent to any proposed amendments, all payments under this Article III shall be calculated without giving effect to such change.

Section 3.14. Product Warranty. Subject to Section 3.15, AMD Saxonia represents and warrants that all Products sold to AMD Holding pursuant to this Agreement shall conform in

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

all material respects to the Specifications for such Products and, if expressly agreed by AMD Saxonia in writing in advance, to any specific changes thereto.

Section 3.15. Disclaimer. THE WARRANTY CONTAINED IN SECTION 3.14 IS THE SOLE AND EXCLUSIVE WARRANTY AS TO THE PRODUCTS AND IS EXPRESSLY IN LIEU OF ANY EXPRESS OR IMPLIED WARRANTIES, IN FACT OR IN LAW, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY SIMILAR WARRANTIES IMPLIED BY APPLICABLE LAW. REPAIR OR REPLACEMENT OF DEFECTIVE PRODUCTS SHALL BE AMD HOLDING'S EXCLUSIVE REMEDY WITH RESPECT TO DEFECTIVE PRODUCTS. AMD SAXONIA ASSUMES NO LIABILITY IN TORT OR STRICT LIABILITY, NOR SHALL AMD SAXONIA BE LIABLE TO AMD HOLDING OR ANY SUBSIDIARY OR AFFILIATE THEREOF FOR LOSS OR USE OF PRODUCTS OR ANY OTHER INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES INCURRED BY AMD HOLDING OR ANY SUBSIDIARY OR AFFILIATE THEREOF. IN NO EVENT SHALL THE LIABILITY OF AMD SAXONIA ARISING IN CONNECTION WITH ANY PRODUCTS SOLD HEREUNDER EXCEED THE ACTUAL AMOUNT PAID BY AMD HOLDING TO AMD SAXONIA FOR PRODUCTS INVOLVED IN SUCH CLAIM.

Section 3.16. Limitation of Liability. In furtherance of the parties' selection of California law to govern this Agreement, the parties hereby expressly exclude rescission (Wandlung) and price reduction (Minderung) as remedies for defective Products and agree that in no event shall German Civil Code Paragraph 462 be applicable. To the extent permissible under applicable law, AMD Saxonia assumes no liability in tort or strict liability, nor shall AMD Saxonia be liable to AMD Holding, AMD Inc. or any AMD Inc. Affiliate for loss of use of Products or any other incidental, special, indirect or consequential damages or lost profits incurred by AMD Holding, AMD Inc. or an AMD Inc. Affiliate. Without prejudice to Section 3.15, in no event shall the liability of AMD Saxonia arising in connection with any Products sold hereunder exceed the actual amount paid by AMD Holding to AMD Saxonia for Products involved in such claim.

ARTICLE IV

Technical Assistance

Section 4.01. Provision of Know-how and Advice by or on Behalf of AMD Holding to AMD Saxonia.

(a) AMD Holding shall from time to time disclose, or shall arrange for AMD Inc. to disclose, to AMD Saxonia such of the Know-how and Specifications of AMD Inc. and its Subsidiaries, and any Improvements to such Know-how and

Specifications made by AMD Inc. or one or more of its Subsidiaries after such disclosure, as is necessary or, in the judgment of AMD Saxonia, reasonably desirable to enable AMD Saxonia to manufacture Products on an efficient and timely basis in accordance with the Specifications for the relevant Product (such Know-how, Specifications and Improvements together being the "Intellectual Property"). Without limiting the generality of the foregoing, AMD Holding shall from time to time provide, or shall arrange for AMD Inc. to provide, one (1) copy (or if requested by AMD Saxonia, two

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(2) copies), on a non-exclusive basis, of any Technical Documentation for such Intellectual Property in the possession of AMD Inc. or one or more of its Subsidiaries.

(b) To the extent necessary or, in the judgment of AMD Saxonia, reasonably desirable, AMD Holding shall from time to time advise, or shall arrange for AMD Inc. to advise, AMD Saxonia, upon AMD Saxonia's request in writing, in relation to (i) the configuration of the equipment installed or to be installed at the Plant and used for the production of each Product, the Specifications for which are disclosed to AMD Saxonia hereunder, and (ii) the requirements for such configuration, the installation of the equipment and the machinery in the Plant necessary for the manufacture of such Products and the calibration and testing of such equipment and machinery.

(c) AMD Holding shall from time to time permit, or shall arrange for AMD Inc. to permit, AMD Saxonia to make such number of copies of the Technical Documentation, or any part thereof, provided or disclosed to it hereunder or in connection herewith as AMD Saxonia may require for the purposes of this Agreement.

(d) AMD Holding shall from time to time notify, or shall arrange for AMD Inc. to notify, AMD Saxonia promptly of any material errors in the Intellectual Property or Technical Documentation provided or disclosed to AMD Saxonia hereunder or in connection herewith upon AMD Inc. or one or more of its other Subsidiaries becoming aware thereof and, to the extent AMD Inc. or one or more of its Subsidiaries develops or obtains a correction for such error, shall promptly provide, or shall arrange for AMD Inc. to promptly provide, to AMD Saxonia the Intellectual Property and/or Technical Documentation to enable AMD Saxonia to correct such error.

(e) Without derogating from AMD Holding's obligation to provide, or to arrange for AMD Inc. to provide, disclosure to AMD Saxonia of such of the Know-how and Specifications of AMD Inc. and its Subsidiaries, or which AMD Inc. or its Subsidiaries have the right to use, as is necessary to enable AMD Saxonia to manufacture Products hereunder, but notwithstanding any other provision of this Section 4.01, AMD Holding shall not be required to disclose or arrange for AMD Inc. to disclose any Intellectual Property or Technical Documentation which AMD Inc. and its Subsidiaries do not have a right to disclose or the disclosure of which would require the payment of compensation to a third party.

Section 4.02. Expert Support. Training and Technical Assistance.

(a) AMD Holding shall, upon AMD Saxonia's request in writing, provide, or arrange for AMD Inc. to provide, to AMD Saxonia, at the Plant, technical discussions, lectures, guidance and/or technical training in order to enable AMD Saxonia to use, on a continuing basis for the purposes of this Agreement, the Intellectual Property and Technical Documentation disclosed or to be disclosed to AMD Saxonia hereunder or in connection herewith. Such discussions, lectures, guidance and training shall be by AMD Holding and/or AMD Inc. personnel who are qualified to provide advice with respect to the relevant Intellectual Property and Technical Documentation ("Qualified Personnel").

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(b) The timing of visits of such AMD Holding and/or AMD Inc. personnel shall be arranged by agreement between AMD Holding and AMD Saxonia.

(c) AMD Holding shall, upon AMD Saxonia's request in writing, provide, or arrange for AMD Inc. to provide, to AMD Saxonia, at the Plant, all technical assistance necessary to remedy a Production Problem.

Section 4.03. Access to Comparable Plants. AMD Holding shall arrange for

AMD Inc. to permit AMD Saxonia to send, at the expense of AMD Saxonia or as otherwise agreed by AMD Inc., employees of AMD Saxonia to visit AMD Inc.'s Wafer Fabrication Plants, including in particular AMD Inc.'s plant in Austin, Texas known as "Fab 25" for so long as such plant is owned or controlled by AMD Inc. or one or more of its Subsidiaries, at reasonable times for the purpose of witnessing and training in the use of any of the Intellectual Property and Technical Documentation provided or disclosed to it hereunder. AMD Holding shall upon AMD Saxonia's request in writing, provide, or arrange for AMD Inc. to

provide, to such AMD Saxonia employees at such Wafer Fabrication Plants technical discussions, lectures, guidance and/or technical training by Qualified Personnel in order to enable such AMD Saxonia employees to understand the usage being made at such Wafer Fabrication Plants of the relevant Intellectual Property and Technical Documentation.

Section 4.04. Charge for Technical Assistance.

(a) As compensation in full for the performance of the services contemplated under this Article IV, AMD Saxonia shall reimburse AMD Holding for (i) all reasonable out-of-pocket expenses incurred by AMD Holding or AMD Inc., as the case may be, in connection with providing such services, plus (ii) the reasonable salaries and other remuneration of the relevant personnel involved. In this regard, AMD Holding shall issue quarterly invoices to AMD Saxonia itemizing in detail the basis for each invoiced amount. Prior to the Effective Date, all such invoiced amounts shall, notwithstanding Section 3.10, be paid by AMD Saxonia within thirty (30) days of its receipt of the relevant invoice. Payments shall be made in DM by wire transfer. From and after the Effective Date and subject to Section 6.02(c), payments shall be made only in the form of credits against amounts owed or to be owed by AMD Holding to AMD Saxonia under this Agreement.

(b) The parties agree that any invoiced amounts to be paid or credited by AMD Saxonia under this Section 4.04 shall not duplicate amounts charged for services provided directly by AMD Inc. pursuant to the Management Service Agreement.

(c) The foregoing notwithstanding, (i) in no event shall the aggregate amounts to be paid by AMD Saxonia under this Section 4.04 and under the Management Service Agreement prior to the Effective Date exceed DM 135,000,000 (One Hundred Thirty-Five Million), and (ii) the parties agree that, without prejudice to the License Agreement, any Intellectual Property provided in any form to AMD Saxonia for its use hereunder is provided at no charge.

ARTICLE V

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Accounting Reports: Other Reports:

Right of Inspection By or On Behalf of AMD Holding

Section 5.01. Annual Accounting Reports from AMD Saxonia. AMD Holding

and its duly authorized representatives (which may include duly authorized representatives of AMD Inc.) and, if the Loan Agreement Termination Date has not yet taken place, the Agent shall at all reasonable times have access to the books and accounts kept by AMD Saxonia and annually upon the closing of the Fiscal Year all such books and accounts shall be audited by Ernst & Young GmbH or such other firm of independent and internationally known public accountants as may be selected by AMD Saxonia with the approval of AMD Holding and, if the Loan Agreement Termination Date has not yet taken place, the Agent (the consent of the Agent not to be unreasonably withheld). A copy of each such report of audit, together with a reconciliation of AMD Saxonia's fiscal year figures to the statutory financial statements of AMD Saxonia, shall be sent promptly to AMD Holding and, prior to the Loan Agreement Termination Date, the Agent. AMD Holding and its duly authorized representatives (which may include duly authorized representatives of AMD Inc.) shall also have the right to examine and inspect at any reasonable time all properties and operations of AMD Saxonia to which this Agreement relates.

Section 5.02. Intentionally Deleted

Section 5.03. Accountants' Certification: Officer's Certificate.

(a) The amount of Excess Start-up Cost or Start-up Cost Savings shall be determined promptly, but in no event later than 60 days, after the Effective Date pursuant to Section 3.04(b). Such determination shall be evidenced by a Start-up Cost Adjustment Certification duly signed by AMD Saxonia and duly signed by AMD Saxonia's certified public accountants.

(b) Promptly, but in no event later than 30 days after the end of each Period, if any amounts are charged by AMD Inc. to AMD Saxonia under the Management Service Agreement or Section 4.04 during such Period, AMD Saxonia shall provide AMD Holding and, if the Loan Agreement Termination Date has not yet taken place, the Agent with a Certificate certifying the amounts invoiced and/or paid or credited under the Management Service Agreement and Section 4.04. Promptly, but in no event later than 60 days, after the end of each Fiscal Year, AMD Saxonia shall provide AMD Holding and, if the Loan Agreement Termination

Date has not yet taken place, the Agent with a certificate duly signed and certified by AMD Saxonia's certified public accountant confirming the amounts invoiced and/or paid or credited under the Management Service Agreement and Section 4.04.

Section 5.04. Intentionally deleted.

ARTICLE VI

Effectiveness; Termination

Section 6.01. Effectiveness: Termination.

(a) This Agreement shall become effective on the date hereof and (unless otherwise extended as hereinafter provided) shall terminate on the date (the "Initial Termination Date")

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which is the earlier of (i) the Loan Agreement Termination Date and (ii) the Termination Date. At the option of AMD Holding, exercised by giving notice to AMD Saxonia and AMD Inc. at least six months prior to the Loan Agreement Termination Date, and provided that no Termination Event has occurred and is continuing, this Agreement may be extended for one additional three year term. At the option of AMD Saxonia, exercised by giving notice to AMD Holding and AMD Inc. at least six months prior to the Loan Agreement Termination Date, and provided that no Termination Event has occurred and is continuing, the initial term of this Agreement may be extended for one additional three year term (to the extent not previously extended by AMD Holding pursuant to the preceding sentence).

(b) Each of the events described in this Section 6.01(b), whether or not such events directly or indirectly affect AMD Saxonia or AMD Holding, shall constitute a Termination Event. If a Termination Event has occurred and is continuing, AMD Saxonia (or, if prior to the Loan Agreement Termination Date, the Security Agent on behalf of AMD Saxonia pursuant to and in accordance with the Security Documents (as defined in the Sponsors' Support Agreement)) may, by notice to AMD Holding and AMD Inc. and, if prior to the Loan Agreement Termination Date, with the consent of the Agent, which consent shall be communicated by the Agent to both AMD Holding and AMD Inc., terminate this Agreement in case of any of the Termination Events described in clauses (vii) through (xv) below. In addition, this Agreement shall automatically terminate (without any requirement for any action by any party hereto) immediately upon the occurrence of the Termination Event described in clauses (i) through (vi) below, and in the case of any other Termination Event shall terminate on the date any such notice is given (the date of any such automatic or other termination being the "Termination Date"). The Termination Events are as follows:

(i) the expropriation or condemnation of the Plant or any substantial part of the assets or business of AMD Saxonia or AMD Holding by any Governmental Authority, or the involuntary suspension, or curtailment below seventy-five percent of capacity, by AMD Saxonia of the operation of the Plant for six months or more as a result of any change in or introduction of any Law, or any change in the interpretation or application thereof, in each case occurring after the date hereof;

(ii) AMD Inc. or AMD Holding being required by any Governmental Authority to divest itself of all or a substantial portion of its direct or indirect interest in AMD Saxonia, or AMD Saxonia being required by any Governmental Authority to divest itself or all or a substantial portion of the Plant;

(iii) the destruction of the Plant or a substantial portion thereof and a decision by AMD Saxonia not to rebuild the same after having received insurance proceeds in respect of such destruction in an amount at least equal to the depreciated book value of such Plant or substantial portion thereof;

(iv) obligations of AMD Saxonia being accelerated following lapse of any applicable grace periods as a result of the occurrence of an event described in Section 21 of the Loan Agreement which would allow the Banks to terminate the Loan Agreement, and/or the Agent, Security Agent or any of the Banks exercising remedies pursuant to any of the Security Documents (as defined in the Loan Agreement);

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(v) the involuntary (including without limitation as a result of enforcement of any rights of security granted in shares of AMD Holding and/or AMD Saxonia or performance of any undertakings to transfer such shares made to

secure obligations of AMD Holding and/or AMD Saxonia) transfer of a controlling interest in AMD Holding and/or AMD Saxonia from AMD Inc. and its Subsidiaries to one or more third parties;

(vi) the involuntary dissolution or winding up of the business of AMD Holding and/or AMD Saxonia;

(vii) failure by AMD Holding or AMD Inc. to make any payment required from it hereunder or under the AMD Inc. Guaranty, AMD Holding Wafer Purchase Agreement, AMD Saxonia Research Agreement, AMD Holding Research Agreement or Sponsors' Support Agreement within 45 days of the date due therefor, or default by AMD Holding or AMD Inc. in the performance of or compliance with any other term contained in this Agreement or any such other agreement and such default shall not have been remedied or waived within 30 days after receipt of notice from AMD Saxonia or, if the Loan Agreement Termination Date has not yet taken place, the Agent of such default;

(viii) any of AMD Holding's representations or warranties made herein or in any statement or certificate at any time given by AMD Holding in writing pursuant to this Agreement being false in any material respect on the date as of which made, or any of AMD Inc.'s representations or warranties made in the AMD Holding Wafer Purchase Agreement or the AMD Holding Research Agreement or in any statement or certificate at any time given by AMD Inc. in writing pursuant to any thereof being false in any material respect on the date as of which made;

(ix) bankruptcy (Konkursverfahren), composition (Vergleichsverfahren) or enforcement proceedings (Gesamtvollstreckungsverfahren) are instituted against the assets (Vermogen) of AMD Holding and not withdrawn or denied within 30 days of the date the application for such proceedings is made; or the institution of such proceedings is denied for lack of assets to cover the costs of such proceedings;

(x) execution is issued (Einleitung der Zwangsvollstreckung) against all or a substantial part of the assets of AMD Holding unless such execution is withdrawn within three weeks of the issuance thereof; realization of such execution; or the realization of execution on the equity shares of AMD Saxonia owned by AMD Holding;

(xi) the discontinuance of payments generally (Zahlungseinstellung) by AMD Holding;

(xii) the adoption of a resolution by the managing directors (Geschäftsfuehrer) of AMD Holding for the institution of liquidation proceedings (Liquidationsverfahrens) for AMD Holding;

(xiii) a court having jurisdiction in the premises entering a decree or order for relief in respect of AMD Inc. in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief being granted under any applicable federal or state law;

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(xiv) a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over AMD Inc. or over all or a substantial part of its property, having been entered; or the involuntary appointment of an interim receiver; trustee or other custodian of AMD Inc. for all or a substantial part of its property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of AMD Inc.; and the continuance of any such events in this clause (xiv) for 90 days unless stayed, dismissed, bonded or discharged; or

(xv) AMD Inc. having an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consenting to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or consenting to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by AMD Inc. of any assignment for the benefit of creditors; or the inability or failure by AMD Inc. or the admission by AMD Inc. in writing of its inability to pay its debts as such debts become due; or the Board of Directors of AMD Inc. (or any committee thereof) adopting any resolution or otherwise authorizing action to approve any of the foregoing.

Section 6.02. Rights Upon Termination.

(a) Promptly, but in no event later than 20 days following the Termination Date,

(i) the Selling Price Per Wafer for the Month ending on the Termination Date shall be calculated in accordance with Section 3.03;

(ii) in the event that the Termination Date occurs before all of the Excess Start-up Costs or the Start-up Cost Savings, whichever the case may be, has been paid in accordance with Section 3.04, the amount of any unpaid Excess Start-up Costs or Start-up Costs Savings shall be calculated in accordance with Section 3.04; and

(iii) if no Products were Shipped in the Month ending on the Termination Date, the final Advance Payment Adjustment Amount for that Month shall be calculated in accordance with Section 3.05.

(b) Upon termination of this Agreement for any reason, AMD Holding shall purchase all inventory and work-in-process of AMD Saxonia as of the Termination Date. The purchase price shall be equal to the value thereof as shown in the books of AMD Saxonia in accordance with German GAAP.

(c) Upon termination of this Agreement for any reason, any amounts due from AMD Holding to AMD Saxonia pursuant to Sections 3.03, 3.04, 3.05, 3.07, 3.10, and/or 6.02 (b) (including any amounts calculated in respect thereof pursuant to Sections 6.02(a) and (b)) shall be aggregated, and any amounts due (whether in the form of an obligation to pay or credit) from AMD Saxonia to AMD Holding pursuant to Sections 3.03, 3.04, 3.10 and 4.04 (including any amounts calculated in respect thereof pursuant to Sections 6.02(a) and the Management Service Agreement shall be aggregated. If the aggregate amount payable by AMD Holding exceeds the

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aggregate amount payable and/or to be credited by AMD Saxonia, then each party's obligation to make payment of any such amount will be automatically satisfied and discharged and replaced by an obligation upon AMD Holding to pay to AMD Saxonia the excess of the larger aggregate amount over the smaller aggregate amount. If the aggregate amount payable by AMD Saxonia exceeds the aggregate amount payable by AMD Holding, then each party's obligation to make payment of any such amount will be automatically discharged and the amount of such excess shall be additional compensation, to be retained by AMD Saxonia for the early termination of this Agreement, and AMD Saxonia shall have no obligation to pay such amount to AMD Holding.

Section 6.03. Survival. The provisions of Sections 3.14, 3.15, 3.16, -----
6.02, 7.09, 7.10, 7.11 and 7.13 shall survive any termination of this Agreement.

ARTICLE VII

Miscellaneous -----

Section 7.01. Representations and Warranties General. Each of AMD Holding -----
and AMD Saxonia hereby represents and warrants to the other as follows:

(a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to (i) own its assets and to carry on the business in which it is engaged; and (ii) execute, deliver and perform its obligations under this Agreement;

(b) Corporate Authority; No Conflict. The execution, delivery and performance by it of this 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 bylaws 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 it is not in default under or in violation of its charter or by-laws or any law, rule, regulation, order, writ, judgment, injunction, decree, determination, award, indenture or instrument, which default or violation, individually or in the aggregate, would reasonably be expected to have a material adverse effect on its financial condition, business, operations, or prospects;

(c) Valid and Binding Obligations. This Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles; and

(d) No Litigation. No litigation, arbitration proceedings or governmental proceedings are pending or to its knowledge, threatened, which pertain to this Agreement or any of the transactions contemplated thereby.

AMD Holding acknowledges that it has no right to terminate this Agreement or offset payments hereunder because of any breach by AMD Saxonia of the representations and warranties contained herein.

Section 7.02. Force Majeure.

(a) A party to this Agreement shall not be liable for the consequences of any failure to perform, or default in performing, any of its obligations, other than its payment obligations, under this Agreement if that party can show that such failure is caused by Force Majeure.

(b) Where there has been any such failure, the said failure shall not be considered non-compliance with any term or condition of this Agreement, and all the obligations (other than payment obligations) and times which because of such failure could not be fulfilled shall be deemed to have been suspended while the failure continues. In addition, the party for whom such obligations and/or times have been suspended shall be entitled to take reasonable steps during the pendency of the relevant Force Majeure to limit its losses resulting from such Force Majeure, and following the termination of such Force Majeure such obligations and/or times shall continue to be suspended for such further reasonable period as is necessary for such party to restore its capacity to perform such obligations and/or meet such times.

Section 7.03. Relationship of Parties. AMD Holding and AMD Saxonia shall

at all times be independent contractors with respect to each other. Nothing in this Agreement shall constitute either party hereto as the partner, joint venturer, employee or agent of the other such party or of AMD Inc., and neither AMD Holding nor AMD Saxonia shall act or omit to act in such a way as to suggest the contrary to any Person.

Section 7.04. Assignment. This Agreement shall be binding upon and enure

to the benefit of each party hereto and their respective successors and assigns; provided, however, that neither party hereto shall have the right to transfer or

assign its interest in this Agreement without the prior written consent of both the other party hereto, AMD Inc. and, prior to the Loan Agreement Termination Date, of the Agent; provided further that AMD Saxonia may assign this Agreement

to the Agent as security for obligations of AMD Saxonia under the Loan Agreement and the Agent may assign this Agreement to any direct transferee of the Plant in the proper exercise of the Agent's enforcement rights in respect of such security.

Section 7.05. Waivers. No delay or omission in exercise of any right or

remedy of either party or any default by the other, and no custom or practice of the parties at variance with the terms of this Agreement, shall impair any right or remedy otherwise available nor shall it be construed as a waiver of any right or remedy. Any waiver by either party or any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision. AMD Saxonia shall have no right to waive any of its rights or remedies under this Agreement without the prior written consent of AMD Inc. and, prior to the Loan Agreement Termination Date, the Agent.

Section 7.06. Rights Cumulative. The rights, remedies and powers of each

of the parties contained in this Agreement are cumulative and not exclusive of any rights, remedies or powers provided to the parties by Law. No single or partial exercise by any of the parties hereto of any right, remedy or power under this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 7.07. Notices. All notices 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, to the respective parties hereto at their respective addresses (or to their respective telex, TWX or telecopier numbers) indicated below, or such other addresses or numbers specified in a notice sent or delivered in accordance with the provisions of this Section 7.07. Any such notice or communication shall be deemed to be given for purposes of

this Agreement on the day that such writing or communication is delivered or, in the case only of a telex, TWX or telegram, sent to the intended recipient thereof, or in the case only of telecopier, sent to the intended recipient thereof with confirmation of receipt, all in accordance with the provision of this Section 7.07.

If to AMD Holding:

AMD Saxony Holding GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsfuehrer
Facsimile: +49 351 277 91300

with a copy to AMD Inc.:

Advanced Micro Devices, Inc.
One AMD Place
P.O. Box 3453
Sunnyvale, California 94088
Attention: General Counsel
Facsimile: +1 408 774 7399

If to AMD Saxonia:

AMD Saxony Manufacturing GmbH
Wilschdorfer Landstrasse 101
01109 Dresden
Attention: Geschäftsfuehrer
Facsimile: +49 351 277 91300

with a copy to:

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Dresdner Bank AG
Ostra Allee 9
01067 Dresden
Attention: Betreuung Unternehmenskunden
Facsimile: + 49 351 489 1300

Section 7.08. No Effect on Other Agreements. No provision of this

Agreement shall be construed so as to negate, modify or affect in any way the provisions of any other agreement among any of AMD Inc., AMD Holding and AMD Saxonia except as specifically provided in any such other agreement.

Section 7.09. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND

SHALL BE CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO ITS CONFLICTS OF LAWS PRINCIPLES. THE PARTIES EXPRESSLY EXCLUDE APPLICATION OF THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE SALE OF GOODS OF APRIL 11, 1980.

Section 7.10. Dispute Resolution. Subject to Section 7.10 (j) below,

arbitration under this Section 7.10 shall be the exclusive means for a party to seek resolution of any dispute arising out of, relating to or connected with this Agreement, except that either party may bring an action before a competent court for the issuance of provisional or protective measures.

(a) The parties hereto agree to submit any dispute, controversy or claim ("Dispute") arising out of, relating to or in any way connected with this Agreement to final and binding arbitration in Santa Clara County, California, under the Commercial Arbitration Rules and Supplementary Procedures for International Commercial Arbitration of the American Arbitration Association ("AAA") then in force except as modified in accordance with the provisions of this Section 7.10.

(b) The arbitral tribunal shall be composed of three arbitrators, one appointed by each party, and the two arbitrators so appointed shall, within 15 days appoint a third arbitrator who shall be chosen from a country other than those of which the parties are nationals, who shall be fluent in English, and who shall act as Chairman of the tribunal.

(c) In arriving at decisions, the arbitrators shall apply the terms and conditions of this Agreement in accordance with the laws of California.

(d) The award shall be deemed a U.S. award for purposes of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "New York Convention"). The English language shall be used in the arbitral proceedings and all exhibits and other evidence in a language other than English shall be accompanied by English translations when submitted into evidence before the arbitral tribunal.

(e) The arbitrators are empowered to render the following awards in accordance with any provision of this Agreement or any related agreement: (i) enjoining a party from performing any act prohibited, or compelling a party to perform any act required, by the terms of this Agreement

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or any related agreement and any order entered pursuant to this Agreement and (ii) ordering such other legal or equitable relief, including any provisional legal or equitable relief, or specifying such procedures as the arbitrator deems appropriate, to resolve any Dispute submitted for arbitration. The parties shall be entitled to discover all documents and other information reasonably necessary for a full understanding of any -legitimate issue raised in the arbitration. They may use all methods of discovery customary under U.S. federal law, including but not limited to depositions, requests for admission, and requests for production of documents. The time periods for compliance shall be set by the arbitrators, who may also set limits on the scope of such discovery. The arbitrators shall not be empowered to award consequential or punitive damages.

(f) Either party may file an application in any proper court described in Section 7.11 hereof for a provisional remedy in connection with an arbitrable controversy hereunder, but only upon the ground that the award to which the applicant may be entitled may be rendered ineffectual without provisional relief.

(g) The arbitrators shall issue to both parties a written explanation in English of the reasons for the award and a full statement of the facts as found and the rules of law applied in reaching the decision

(h) Any monetary award shall be made and shall be payable in DM free of any tax or any deduction.

(i) The award of the arbitral tribunal will be the sole and exclusive remedy between the parties regarding any and all claims and counterclaims with respect to the subject matter of the arbitrated dispute. An award rendered in connection with an arbitration pursuant to this Section 7.10 shall be final and binding upon the parties, and any judgment upon which an award may be entered and enforced in any court of competent jurisdiction.

(j) Notwithstanding the foregoing; the parties agree that any disputes hereunder relating solely to accounting matters shall be resolved by an auditor, appointed as provided below, acting as an expert (and not as an arbitrator), and that the resolution by such independent auditor of any such matter shall be conclusive between the parties absent manifest error. Such auditor shall be appointed by mutual agreement of the parties' respective auditors, and, if prior to the Loan Agreement Termination Date, of the Agent and shall be an independent and internationally known certified public accounting firm with no affiliation with either the parties, the Agent or any of their respective auditors.

Section 7.11. Consent to Jurisdiction and Forum: AMD Holding and AMD

Saxonia Appointment of Agent for Service of Process.

(a) Subject to Section 7.10, all judicial proceedings brought against either party hereto with respect to this Agreement may be brought in Santa Clara County, California, and by execution and delivery of this Agreement, each such party accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of such courts. In addition, each such party hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any

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such proceedings, and hereby further irrevocably and unconditionally waives and agrees to the fullest extent permitted by law not to plead or claim that any such proceeding brought in any such court has been brought in an inconvenient forum.

(b) AMD Holding hereby irrevocably appoints CT Corporation Services as its agent to receive on behalf of AMD Holding and its property service of copies of the summons and complaint and any other process which may be served in any proceeding in any state or federal court of competent jurisdiction in the State of California.

(c) AMD Saxonia hereby irrevocably appoints CT Corporation Services as its agent to receive on behalf of AMD Saxonia and its property service of copies of the summons and complaint and any other process which may be served in any proceeding in any state or federal court of competent jurisdiction in the State of California.

Section 7.12. Judgment Currency. The parties hereto agree that, without

prejudice to Sections 7.10 and 7.11 above:

(a) if, for purposes of obtaining hereunder an arbitral award or judgment of any court, it is necessary to convert a sum due hereunder in DM into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the prevailing party could purchase DM with such other currency on the Business Day preceding that on which the final award or judgment (as applicable) is given; and

(b) the obligation of each of the parties hereto in respect of any sum due hereunder from it (the "Payor") to the other party (the "Recipient") shall, notwithstanding any judgment in a currency other than DM, be discharged only to the extent that on the Business Day following receipt by the Recipient of any sum adjudged to be so due in such other currency, the Recipient may, in accordance with normal banking procedures, purchase DM with such other currency; in the event that the DM so purchased is less than the sum originally due to the Recipient, the Payor, as a separate obligation and notwithstanding any such judgment or award, hereby agrees to indemnify and hold harmless the Recipient against such loss, and if the DM so purchased exceeds the sum originally due to the Recipient, the Recipient shall remit to the Payor the excess.

Section 7.13. Language. This Agreement is in the English language, which

language shall be controlling in all respects.

Section 7.14. Entire Agreement. This Agreement, the AMD Saxonia Research

Agreement, the License Agreement, the Sponsors' Subordination Agreement (as defined in the Loan Agreement) and the Management Service Agreement embody the entire agreement and understanding between the parties with respect to the subject matter hereof. Neither party has relied upon any representation or warranty of the other party in entering into this Agreement except as expressly set forth herein. AMD Holding further acknowledges and agrees that its obligations hereunder shall remain in full force and effect notwithstanding the breach by AMD Saxonia of any representation or warranty contained herein.

Section 7.15. Counterparts. This Agreement may be executed in one or more

counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all such counterparts together shall

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constitute but one and the same instrument; signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

Section 7.16. Amendments. No modifications or amendments to this Agreement

shall be binding unless in writing and executed by each of the parties hereto. In addition, no modification or amendment to this Agreement may be made without the prior written consent of AMD Inc. and, if prior to the Loan Agreement Termination Date, the Agent.

Section 7.17. EMU. The European Economic and Monetary Union anticipates

the introduction of a single currency and the substitution of the national currencies of Member States participating in the Monetary Union. On the date on which the DM is replaced by the single currency, conversion into such currency shall take effect. The denomination of the original currency shall be retained for so long as this is legally permissible. Conversions shall be based on the officially fixed rate of conversion. Neither the introduction of the single currency nor the substitution of the national currencies of the Member States participating in European Monetary Union nor the fixing of the official rate of conversion nor any economic consequences that arise from any of the aforementioned events or in connection with European Monetary Union shall give rise to any right to terminate prematurely, contest, cancel, rescind, modify, or renegotiate this Agreement or any of its provisions or to raise any other objections and/or exceptions or to assert any claim's for compensation. This Agreement shall continue in full force and effect in accordance with its terms.

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IN WITNESS OF THE FOREGOING, AMD Holding and AMD Saxonia have caused this Agreement to be executed by their authorized representatives as of the date first written above.

AMD SAXONY HOLDING GMBH

By:

Its: Managing Director

AMD SAXONY MANUFACTURING GMBH

By:

Its: Managing Director

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

This SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") is entered into as of February 12, 2001, among ADVANCED MICRO

DEVICES, INC., a Delaware corporation ("AMD"), AMD INTERNATIONAL SALES AND SERVICE, LTD., a Delaware corporation ("AMDISS") (AMD and AMDISS individually and collectively, the "Borrower"), the several financial institutions party to the Loan Agreement referred to below (each a "Lender" and, collectively, the "Lenders"), and BANK OF AMERICA, N.A. (formerly Bank of America National Trust and Savings Association), as administrative agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower, the Lenders and the Agent entered into a Loan and Security Agreement dated as of July 13, 1999, as amended by a First Amendment to Loan and Security Agreement entered into as of July 30, 1999 (as in effect as of the date of this Amendment, the "Loan Agreement"); and

WHEREAS, the Borrower has requested that the Majority Lenders agree to certain amendments to the Loan Agreement, and the Majority Lenders have agreed to such request, subject to the terms and conditions of this Amendment;

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions; References; Interpretation.

(a) Unless otherwise specifically defined herein, each term used herein (including in the Recitals hereof) which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement.

(b) Each reference to "this Amendment", "hereof", "hereunder", "herein" and "hereby" and each other similar reference contained in the Loan Agreement, and each reference to "the Loan Agreement" and each other similar reference in the other Loan Documents, shall from and after the Effective Date (defined below) refer to the Loan Agreement as amended hereby.

(c) The rules of interpretation set forth in Section 1.3 of the Loan Agreement shall be applicable to this Amendment.

2. Amendments to Loan Agreement.

Subject to the terms and conditions hereof, the Loan Agreement is amended as follows, effective as of the Effective Date:

(a) Section 1.1 of the Loan Agreement is hereby amended as follows:

(i) the defined term "Domestic Cash" is hereby amended by (A)

deleting the word "unencumbered" from the second line of such definition, and (B) inserting immediately before the period at the end of such definition the following additional text:

", which cash and cash equivalents are not subject to any

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Liens (except Liens pursuant to Section 6.1 hereof and Liens permitted under clause (h) of the definition of "Permitted Liens")"

(ii) the defined term "Dresden Agreements" is hereby amended

and restated in its entirety as follows:

"Dresden Agreements" means (i) that certain Syndicated Loan

Agreement dated as of March 11, 1997 among AMD Saxony Manufacturing GmbH, as Borrower, Dresdner Bank Luxembourg S.A. as Agent and Paying Agent, Dresdner Bank AG as Security Agent, and the lenders party thereto, as amended on February 6, 1998 and June 29, 1999 and as further amended pursuant to the amendment entered into on or about January or February 2001 (as so amended,

the "Dresden Loan Agreement") and (ii) each of the other

"Operative Documents" (under, and as defined in the Sponsors' Support Agreement (as defined in the Dresden Loan Agreement), as amended on February 6, 1998 and June 29, 1999 and as further amended pursuant to the amendments entered into on or about January or February 2001) to the extent executed and delivered pursuant to or in connection with the Sponsors' Support Agreement or the Dresden Loan Agreement, as amended as of February 12, 2001 and as further amended pursuant to the amendments entered into on or about January or February 2001."

(iii) the defined term "Enhanced Covenant Period" is hereby

amended by deleting the dollar amount "\$100,000,000" and substituting therefor "\$200,000,000";

(iv) the defined term "Restricted Investment" is hereby amended

as follows:

(A) clause (b) is amended by inserting immediately following the word "Inventory" the following additional text: "and intellectual property"; and

(B) clause (h) is amended and restated in its entirety as follows:

"(h) (i) Investments made after the Closing Date in the German Subsidiary not exceeding \$100,000,000 in the aggregate funded on or prior to December 31, 1999 (minus the fair market value of all assets transferred or otherwise conveyed to the German Subsidiary by the Parent or any Subsidiary during such period), (ii) other Investments in the German Subsidiary to the extent constituting "Restricted Investments" permitted under Section 4.07 of the Indenture, as in effect as of the Closing Date, and (iii) Investments in the German Subsidiary consisting of a revolving intercompany

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loan made by the Parent, as lender, to the German Subsidiary, as borrower, in an aggregate principal amount not to exceed \$500,000,000 at any time outstanding, which loan shall be evidenced by documentation in form and substance reasonably satisfactory to the Agent and the Majority Lenders and the proceeds of which shall be used by the German Subsidiary for general corporate purposes, including, without limitation, working capital, cash expenses and other cash requirements and Project Costs (as defined in the Dresden Agreements) (such revolving intercompany loan, the "Revolving Intercompany Loan");"

and

(v) a new defined term "Revolving Intercompany Loan" is hereby

added in appropriate alphabetical order as follows:

"Revolving Intercompany Loan" has the meaning specified in clause

(h)(iii) of the definition of Restricted Investment."

(b) Section 9.8 of the Loan Agreement is hereby amended by (i) deleting the word "and" immediately prior to clause (b)(ix), and (ii) inserting a new clause (b)(x) as follows:

"; and (x) transactions permitted under Section 9.9 below".

(c) Section 9.11 of the Loan Agreement is hereby amended as follows:

(i) clause (ii) thereof is amended and restated in its entirety as follows:

"(ii) other Guaranties existing on the Closing Date and described on Schedule 9.11,";

(ii) the word "and" immediately preceding clause (iv) thereof is deleted and replaced with a comma; and

(iii) a new clause (v) is added to such Section immediately before the period at the end of such Section as follows:

"and (v) Guaranties by the Parent of the obligations of the German Subsidiary under the Dresden Agreements (and payment of such Guaranties) in an amount not to exceed 600,000,000 Deutsche Marks in the aggregate".

(d) Section 9.14 of the Loan Agreement is hereby amended as follows:

(i) the second sentence thereof is hereby deleted in its entirety and the following substituted therefor:

"Notwithstanding the foregoing, the Borrower and its Restricted Subsidiaries may (i) execute, deliver and perform its obligations under, and consummate the

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transactions contemplated by, the Dresden Agreements, including without limitation the Revolving Intercompany Loans permitted hereunder and (ii) engage in other transactions with Affiliates, including Permitted Affiliate Investments, provided that the terms of any such transactions described in this subsection (ii) shall be materially no less favorable to the Borrower and its Restricted Subsidiaries than would be obtained in a comparable arms'-length transaction with a third party who is not an Affiliate."

(ii) clause (a) is hereby amended and restated in its entirety as follows:

"(a) pursuant to the Dresden Agreements (copies of which have been provided to the Agent), the Borrower engages and will engage in transactions with the German Subsidiary, including support in the form of loans and guarantees, the purchase of wafers and research, design and development services (and the license of certain intellectual property rights to the German Subsidiary in connection therewith), the provision of management services to the German Subsidiary, and foreign exchange swap transactions, and".

(e) Section 9.19 of the Loan Agreement is hereby amended by (i) deleting the dollar amount "\$100,000,000" and substituting therefor "\$200,000,000" and (ii) deleting the dollar amount "\$1,500,000,000" and substituting therefor "\$1,750,000,000".

(f) Schedules 6.3, 8.3, 8.11, 8.12 and 8.22 to the Loan Agreement are hereby amended and restated in their entirety in form of Schedules 6.3, 8.3, 8.11, 8.12 and 8.22 attached hereto.

3. Representations and Warranties. The Borrower hereby represents and warrants

to the Agent and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing (or would result from the amendment of the Loan Agreement contemplated hereby).

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

(c) This Amendment and the Loan Agreement (as amended by this Amendment) constitute the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms.

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(d) All representations and warranties of the Borrower contained in the Loan Agreement are true and correct (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date).

(e) The Borrower is entering into this Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Agent and the Lenders or any other Person.

(f) The Borrower's obligations under the Loan Agreement and under the other Loan Documents are not subject to any defense, counterclaim, set-off, right of recoupment, abatement or other claim.

4. Conditions of Effectiveness.

(a) This Amendment shall be effective as of the date hereof (the "Effective Date"), provided that the Agent shall have received from the Borrower

and the Majority Lenders a duly executed original (or, if elected by the Agent, an executed facsimile copy) of this Amendment.

(b) From and after the Effective Date, the Loan Agreement is amended as set forth herein. Except as expressly amended pursuant hereto, the Loan Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects.

(c) The Agent will notify the Borrower and the Lenders of the occurrence of the Effective Date.

5. Miscellaneous.

(a) The Borrower acknowledges and agrees that the execution and delivery by the Agent and the Lenders of this Amendment shall not be deemed to create a course of dealing or an obligation to execute similar waivers or amendments under the same or similar circumstances in the future.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California, provided that the Agent and the Lenders

shall retain all rights arising under Federal law.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by any party thereto either in the form of an executed original or an executed original sent by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by the Agent of a facsimile transmitted document purportedly bearing the signature of a Lender or the Borrower shall bind

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such Lender or the Borrower, respectively, with the same force and effect as the delivery of a hard copy original. Any failure by the Agent to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by the Agent.

(e) This Amendment contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein. This Amendment supersedes all prior drafts and communications with respect hereto. This Amendment may not be amended except in accordance with the provisions of Section 13.2 of the Loan Agreement.

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

(g) The Borrower agrees to pay or reimburse BofA (including in its capacity as Agent), upon demand, for all reasonable costs and expenses (including reasonable Attorney Costs) incurred by BofA (including in its capacity as Agent) in connection with the development, preparation, negotiation, execution and delivery of this Amendment.

[signature pages follow]

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

ADVANCED MICRO DEVICES, INC.

By: _____

Name:
Title:

AMD INTERNATIONAL SALES AND SERVICE,
LTD.

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as Agent and as a
Lender

By: _____
Name:
Title:

FOOTHILL CAPITAL CORPORATION

By: _____
Name:
Title:

CONGRESS FINANCIAL CORPORATION
(NORTHWEST)

By: _____
Name:
Title:

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FINOVA CAPITAL CORPORATION

By: _____
Name:
Title:

THE CIT GROUP/BUSINESS CREDIT, INC.

By: _____
Name:
Title:

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FINANCIAL HIGHLIGHTS

<TABLE> <CAPTION> Five Years Ended December 31, 2000 (Dollars in thousands except per share amounts, ratios, and employment figures)					
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 4,644,187	\$ 2,857,604	\$ 2,542,141	\$ 2,356,375	\$ 1,953,019
Operating income (loss)	888,736	(320,916)	(163,642)	(90,653)	(253,310)
Net income (loss)*	983,026	(88,936)	(103,960)	(21,090)	(68,950)
Net income (loss) per common share:**					
Basic	3.18	(0.30)	(0.36)	(0.07)	(0.25)
Diluted	2.89	(0.30)	(0.36)	(0.07)	(0.25)
Working capital	1,433,580	499,226	721,308	448,497	445,604
Total assets	5,767,735	4,377,698	4,252,968	3,515,271	3,145,283
Long-term debt, capital lease obligations and other, less current portion	1,167,973	1,427,282	1,372,416	662,689	444,830
Stockholders' equity	3,171,667	1,979,273	2,005,049	2,029,543	2,021,878
Capital additions	805,474	619,772	996,170	729,870	493,723
Depreciation and amortization	579,070	515,520	467,521	394,465	346,774
Research and development	641,799	635,786	567,402	467,877	400,703
Research and development as a percentage of net sales	13.8%	22.2%	22.3%	19.9%	20.5%
Return on equity	38.2%	(4.5)%	(5.2)%	(1.0)%	(3.3)%
Debt as a percentage of capital	26.9%	41.9%	40.7%	24.8%	18.5%
Worldwide employment	14,435	13,354	13,597	12,759	12,181

</TABLE>

*Net income for 2000 includes a \$212 million gain, net of tax, on the sale of AMD's subsidiary, Legerity, Inc. and a \$23 million extraordinary loss on debt retirement, net of tax; net loss for 1999 includes a \$259 million gain, net of tax, on the sale of AMD's subsidiary, Vantis Corporation.

**Net income (loss) per common share, basic and diluted, for all prior periods, has been restated to reflect a two-for-one stock split effected in the form of a 100% stock dividend on August 21, 2000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to transition to new process technologies; our ability to produce AMD Athlon(TM) and AMD Duron(TM) microprocessors in the volume required by customers on a timely basis; our ability, and the ability of third parties, to provide timely infrastructure solutions (motherboards and chipsets) to support our microprocessors; our ability to increase customer and market acceptance of our microprocessors; our ability to maintain average selling prices for our microprocessors; our ability to meet the demand for Flash memory products; the effect of foreign currency hedging transactions; our new submicron integrated circuit manufacturing and design facility in Dresden, Germany (Dresden Fab 30); and the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties as are detailed in our Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the consolidated financial statements included in this annual report and related notes as of December 31, 2000 and December 26, 1999 and for each of the three years in the period ended December 31, 2000.

RESULTS OF OPERATIONS

In 2000, 1999 and 1998, we participated in all three technology areas within the digital integrated circuit (IC) market--microprocessors, memory circuits and

logic circuits--through our Core Products, Voice Communications, Vantis and Foundry Services segments. Our Core Products segment includes our PC processors, Memory products and Other IC products. PC processors include AMD seventh-generation microprocessors and AMD-K6(R) family microprocessors. Memory products include Flash memory devices and Erasable Programmable Read-Only Memory (EPROM) devices. Other IC products include embedded processors, platform products and networking products. Our Voice Communications segment consisted of our voice communications products subsidiary, Legerity, Inc. (Legerity), until July 31, 2000, the effective date of its sale. Our Vantis segment consisted of our programmable logic devices subsidiary, Vantis Corporation (Vantis), until June 15, 1999, the date of its sale. Our Foundry Services segment consists of fees for services that we provide to our former subsidiaries, Legerity and Vantis.

On August 4, 2000, we completed the sale of 90 percent of Legerity for approximately \$375 million in cash, effective July 31, 2000. We retained a ten percent ownership interest in Legerity and a warrant to acquire approximately an additional ten percent. As part of the transaction, we entered into various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On June 15, 1999, we sold Vantis to Lattice Semiconductor Corporation (Lattice) for approximately \$500 million in cash. As part of the transaction, we entered into service contracts with Vantis to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Vantis. We receive fees from Lattice for these services.

The following is a summary of net sales by segment for 2000, 1999 and 1998:

(Millions)	2000	1999	1998
Core Products segment:			
PC Processors	\$ 2,337	\$ 1,387	\$ 1,258
Memory Products	1,567	773	561
Other IC Products	457	400	362
	-----	-----	-----
	4,361	2,560	2,181
Voice Communications segment	140	168	156
Vantis segment	-	87	205
Foundry Services segment	143	43	-
	-----	-----	-----
Total	\$ 4,644	\$ 2,858	\$ 2,542
	=====	=====	=====

Net Sales Comparison of Years Ended December 31, 2000 and December 26, 1999

Total net sales increased by \$1,786 million in 2000, or 63 percent, to \$4,644 million from \$2,858 million in 1999.

PC processors net sales of \$2,337 million increased by 68 percent in 2000 compared to 1999. This increase was primarily due to a strong increase in net sales of our seventh-generation microprocessors, the AMD Athlon and AMD Duron microprocessors. The AMD Duron microprocessor, a derivative of the AMD Athlon microprocessor designed to provide a solution for value conscious PC buyers, became available in June 2000. The strong increase in unit sales of our seventh-generation microprocessors more than offset the decline in average selling prices. The increase was partially offset by a decrease in net sales of the AMD-K6 family microprocessors as a result of market shift toward our seventh-generation microprocessors. Overall PC processors sales growth in 2001 depends on a continuing successful production ramp in Dresden Fab 30, availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of our seventh-generation microprocessors, as to which we cannot give any assurance.

Memory products net sales of \$1,567 million increased by 103 percent in 2000 compared to 1999 primarily due to growth in sales volume, higher average selling prices, and a rich product mix of Flash memory devices, which was slightly offset by a decline in net sales of EPROMs. We plan to continue to expand manufacturing capacity through FASL to achieve further growth in net sales of Flash memory devices in 2001, as to which we cannot give any assurance.

Other IC products net sales of \$457 million increased by 14 percent in 2000 compared to 1999. The increase was primarily due to increased net sales from our chipset and home networking products.

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Voice Communications products net sales of \$140 million decreased by 17 percent in 2000 compared to 1999 as a result of the sale of our Legerity subsidiary, effective July 31, 2000.

There were no sales from Vantis products in our 2000 net sales. Vantis products contributed \$87 million to our 1999 net sales prior to Vantis' sale.

The Foundry Services segment included service fees of \$143 million from Lattice and Legerity in 2000 compared to \$43 million from Lattice in 1999. The increase was primarily due to the addition of service fees from Legerity and secondarily to an increase in service fees from Lattice.

Net Sales Comparison of Years Ended December 26, 1999 and December 27, 1998

Total net sales increased by \$316 million, or 12 percent, to \$2,858 million in 1999 from \$2,542 million in 1998.

PC processors net sales of \$1,387 million increased by ten percent in 1999 compared to 1998. This increase was primarily due to the introduction of AMD Athlon microprocessors, which were our first seventh-generation Microsoft Windows compatible microprocessors, at the end of the second quarter of 1999, and was partially offset by a decrease in net sales of AMD-K6 microprocessors. Although unit sales volumes of AMD-K6 microprocessors increased, net sales decreased due to declines in average selling prices which were caused by aggressive Intel pricing, including marketing programs and product bundling of microprocessors, motherboards, chipsets and combinations thereof.

Memory products net sales of \$773 million increased by 38 percent in 1999 compared to 1998 primarily as a result of strong growth in demand for Flash memory devices, which was slightly offset by a decline in net sales of EPROMs.

Other IC products net sales of \$400 million increased by ten percent in 1999 compared to 1998 primarily due to an increase in net sales from chipset products and home networking products.

Voice Communications net sales of \$168 million were relatively flat between 1999 and 1998. Increases in net sales from our Ethernet controllers and physical layer circuits, as well as increases in net sales of linecard circuits, were offset by a weakness in the sales of mature network products.

Vantis products net sales of \$87 million decreased by 58 percent in 1999 compared to 1998 primarily because there were two quarters of sales in 1999 prior to Vantis' sale, as compared to a full year of sales in the prior year.

The Foundry Services segment consisted of service fees of \$43 million from Lattice in 1999.

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

The following is a summary of expenses, gross margin percentage and interest income and other, net for 2000, 1999 and 1998:

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<TABLE>
<CAPTION>
(Millions except for gross margin percentage)

	2000	1999	1998
<S>	<C>	<C>	<C>
Cost of sales	\$ 2,515	\$ 1,964	\$ 1,719
Gross margin percentage	46%	31%	32%
Research and development	\$ 642	\$ 636	\$ 567
Marketing, general and administrative	599	540	420
Restructuring and other special charges	-	38	-
Gain on sale of Vantis	-	432	-
Gain on sale of Legerity	337	-	-
Litigation settlement	-	-	12
Interest income and other, net	86	32	34
Interest expense	60	69	66

We operate in an industry characterized by 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 microprocessors and memory devices. As a result, our gross margin percentage is significantly affected by fluctuations in product sales. Gross margin percentage growth depends on continually increasing sales from microprocessors and memory products because fixed costs continue to rise due to the ongoing capital investments required to expand production capability and capacity.

Gross margin percentage increased to 46 percent in 2000 compared to 31 percent in 1999. The increase in gross margin in 2000 was primarily due to higher net sales from PC microprocessors and Flash memory devices, partially offset by a reduction of gross margin as a result of the sale of Legerity, effective July 31, 2000 and an increase in fixed costs. Fixed costs will continue to increase as we ramp production capacity in Dresden Fab 30. Dresden Fab 30 went into production in the second quarter of 2000, which contributed to, and will continue to contribute to, increases in cost of sales.

Gross margin percentage was relatively flat between 1999 and 1998. The slight decline in gross margin percentage in 1999 was primarily caused by lower average selling prices of AMD-K6 microprocessors combined with higher fixed costs.

Research and development expenses of \$642 million in 2000 increased slightly compared to 1999. This slight increase is due to increased costs related to research and development activities for PC microprocessors, offset by a substantial portion of Dresden Fab 30 expenses shifting to cost of sales as production of PC microprocessors commenced in the second quarter of 2000, and research and development subsidies received from the German government.

Research and development expenses of \$636 million in 1999 increased 12 percent compared to 1998 due to a full year of expenses associated with the Motorola alliance (discussed below) and increases in spending for facilitization and pre-production process development in Dresden Fab 30 and research and development activities for the AMD Athlon microprocessor. These additional costs were partially offset in 1999 by savings in our Submicron Development Center (SDC) as a result of restructuring activities, savings related to the absence of Vantis expenses in the second half of 1999 and the recognition of deferred credits on foreign capital grants and interest subsidies that were received for Dresden Fab 30.

In 1998, we entered into an alliance with Motorola for the development of logic and Flash memory process technology. Costs related to the alliance are included in research and development expenses. The alliance includes a seven-year technology development and license

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

agreement, which was amended on January 21, 2000 to include certain additional technology, and a patent cross-license agreement. The agreements provide that we will co-develop with Motorola future generation logic process and embedded Flash technologies. In addition, we have received certain licenses to Motorola's semiconductor logic process technologies, including copper interconnect technology, which may be subject to variable royalty rates. In exchange, we have developed and licensed to Motorola a Flash module design to be used in Motorola's future embedded Flash products. Motorola will have additional rights, subject to certain conditions, to make stand-alone Flash devices, and to make and sell certain data networking devices. The rights to data networking devices may be subject to variable royalty payment provisions.

Marketing, general and administrative expenses of \$599 million in 2000 increased 11 percent compared to 1999 primarily as a result of marketing and promotional activities for the AMD Athlon microprocessor, our launch of the AMD Duron microprocessor, and higher expenses associated with higher labor costs including profit sharing. These increases were partially offset by the absence of Legerity expenses during the second half of 2000.

Marketing, general and administrative expenses of \$540 million in 1999 increased 29 percent compared to 1998 primarily due to marketing and promotional activities for the AMD Athlon microprocessor, increased costs and related depreciation expense associated with new information systems and software put into production in 1999 and higher labor costs. These increases were partially offset by savings related to the absence of Vantis expenses in the third and fourth quarters of 1999.

In the first quarter of 1999, we initiated a review of our cost structure. Based upon this review, we recorded restructuring and other special charges of \$38 million in 1999 as a result of certain of our actions to better align our cost structure with expected revenue growth rates.

The \$38 million in restructuring and other special charges consisted of the following:

- . \$25 million for the closure of a submicron development laboratory facility in the SDC, the write-off of certain equipment in the SDC and the write-off of equipment taken out of service in Fab 25 related to the 0.35-micron wafer fabrication process;
- . \$6 million for the write-off of capitalized costs related to discontinued information system projects;
- . \$3 million for the disposal of equipment taken out of service in the

SDC;

- . \$3 million for severance and employee benefits for 178 terminated employees in the Information Technology department, the SDC and certain sales offices; and
- . \$1 million for costs of leases for vacated and unused sales offices.

As of December 31, 2000, the cumulative total cash outlay for restructuring and other special charges was approximately \$7.5 million. We anticipate that the remaining accrual of \$0.5 million related to sales office facilities will be utilized over the period through lease terminations in the second quarter of 2002. The payments of the accruals are expected to be funded by cash from operations.

The remaining \$30 million of restructuring and other special charges consisted of non-cash charges primarily for asset write-offs. As a result of the restructuring and other special charges,

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

we expect to save a total of \$30 million in depreciation expense over the three to five year period beginning the second quarter of 1999.

On August 4, 2000, we completed the sale of 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. 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. We have retained a ten percent ownership interest in Legerity and a warrant to acquire approximately an additional ten percent. As part of the transaction, we entered into various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

On June 15, 1999, we completed the sale of Vantis to Lattice Semiconductor Corporation for approximately \$500 million in cash. The actual cash received was net of Vantis' cash and cash equivalent balance of approximately \$46 million as of the closing of the sale. Our pre-tax gain on the sale of Vantis was \$432 million. The gain was computed based on the excess of the consideration received for Vantis' net assets as of June 15, 1999 less direct expenses related to the sale. The applicable tax rate on the gain was 40 percent, resulting in an after-tax gain of \$259 million.

A litigation settlement of approximately \$12 million was recorded in the first quarter of 1998 for the settlement of a class action securities lawsuit against us and certain of our current and former officers and directors. We paid the settlement during the third quarter of 1998.

Interest income and other, net of \$86 million in 2000 increased 168 percent compared to 1999 primarily due to higher average cash and short and long term investment balances. Interest expense of \$60 million in 2000 decreased 13 percent compared to 1999 primarily due to lower average debt balances resulting from retirement of a portion of our 11% Senior Secured Notes due 2003 (Senior Secured Notes) in August 2000, offset by a reduction of capitalized interest as a result of completion of Dresden Fab 30.

Interest income and other, net of \$32 million in 1999 decreased seven percent compared to 1998 primarily as a result of lower interest income from lower invested cash balances. Interest expense of \$69 million in 1999 increased four percent compared to 1998 due to a full year of interest expense in 1999 on the \$517.5 million of 6% Convertible Subordinated Notes due 2005 (Convertible Subordinated Notes) sold in May 1998.

On August 2, 2000, we retired approximately \$356 million aggregate principal amount of our Senior Secured Notes at a premium to their book value, in connection with a tender offer for those notes. We incurred a one-time extraordinary loss, net of tax, of \$23 million in connection with the retirement of the debt.

Income Tax

We recorded income tax provisions of \$257 million in 2000 and \$167 million in 1999, and a tax benefit of \$92 million in 1998. The effective tax rate for the year ended December 31, 2000 was

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

20.5 percent, reflecting the benefit of realizing previously reserved deferred tax assets. The 1999 effective tax rate of 227 percent reflected the establishment of such reserves against our deferred tax assets due to current and prior operating losses. The effective tax benefit rate was 44 percent for 1998, reflecting the benefits of tax credits and low-taxed foreign income.

We had net deferred tax assets of \$14.5 million as of December 31, 2000.

Other Items

International sales as a percent of net sales were 60 percent in both 2000 and 1999 and 55 percent in 1998. During 2000, approximately six percent of our net sales were denominated in foreign currencies. We do not have sales denominated in local currencies in countries which have highly inflationary economies (as defined by generally accepted accounting principles). The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been material.

Comparison of Segment Income (Loss)

In 2000, we operated in three reportable segments: the Core Products, Voice Communications and Foundry Services segments. As a result of the sale of Legerity, effective July 31, 2000, we re-evaluated our segment reporting structure. Prior period segment information has been restated to conform to the current period presentation. The Core Products segment includes microprocessors, Flash memory devices, EPROMs, embedded processors, platform products and networking products. The Voice Communications segment includes the voice communications products of our former subsidiary, Legerity. The Vantis segment included the programmable logic devices (PLD) of our former subsidiary, Vantis, prior to its sale on June 15, 1999. The Foundry Services segment includes fees for services provided to Legerity and Vantis. 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 2000, 1999 and 1998:

<TABLE>
<CAPTION>

(Millions)	2000	1999	1998
<S>	<C>	<C>	<C>
Core Products	\$ 832	\$ (342)	\$ (162)
Voice Communications	35	14	(24)
Vantis	-	6	22
Foundry Services	22	1	-
Total	\$ 889	\$ (321)	\$ (164)

</TABLE>

The Core Products segment operating income increased by \$1,174 million in 2000 compared to 1999 primarily due to an increase in net sales of our seventh-generation microprocessors and Flash memory devices which more than offset higher fixed costs.

The Voice Communications segment operating income increased by \$21 million in 2000 compared to 1999 primarily due to an increase in net sales of telecommunications linecard circuits and devices for physical-layer Ethernet solutions. The increase in operating income was also due to decreased costs and expenses as a result of the sale of Legerity effective July 31, 2000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Vantis segment operating income was zero in 2000 due to the sale of Vantis on June 15, 1999. Vantis had sales activity for 24 weeks in 1999.

The Foundry Services segment operating income increased by \$21 million in 2000 compared to 1999 primarily due to the addition of service fees.

FINANCIAL CONDITION

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 in 2000, a decrease of \$269 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 \$157 million in payables and accrued liabilities, an increase of \$143 million from customer deposits under long-term purchase agreements, a decrease of \$132

million in accounts receivable, an increase of \$79 million in prepaid expenses and a decrease of \$35 million from foreign grant and subsidy income.

Net cash provided by operating activities was \$260 million in 1999 primarily due to the net loss of \$89 million, a nonrecurring \$432 million reduction in operating cash flows from the gain on the sale of Vantis in 1999, an increase of \$516 million from depreciation and amortization, an increase of \$161 million from deferred income taxes, an increase of \$156 million in payables and accrued liabilities, a decrease of \$102 million in prepaid expenses, an increase of \$55 million in other assets, a decrease of \$50 million from foreign grant and subsidy income not received in cash, a decrease of \$45 million in accounts receivable and a decrease of \$23 million in inventory.

Net cash provided by operating activities was \$142 million in 1998 primarily due to a net loss of \$104 million, an increase of \$468 million from depreciation and amortization, a decrease of \$107 million in deferred income taxes, a decrease of \$88 million in accounts receivable, a decrease of \$46 million in other assets, an increase of \$19 million in payables and accrued liabilities, a decrease of \$13 million in prepaid expenses, an increase of \$9 million in tax refund receivable and tax payable and a decrease of \$7 million in inventory.

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 in 2000 from the sale of Legerity and \$398 million of net purchases of available-for-sale securities. Net cash used in investing activities was \$142 million in 1999 primarily due to \$454 million from the sale of Vantis, a decrease of \$620 million from purchases of property, plant and equipment offset by \$19 million in net proceeds from sales of available-for-sale securities, and \$4 million in proceeds from sales of property, plant and equipment. Net cash used in investing activities was \$997 million in 1998 primarily due to \$975 million from purchases of property, plant and equipment.

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 issuance of stock and \$15 million in

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

proceeds from foreign grants and subsidies. Net cash used in financing activities was \$174 million in 1999 primarily due to \$244 million in payments on debt and capital lease obligations offset by \$12 million in proceeds from borrowings, \$44 million in proceeds from issuance of stock and \$14 million in proceeds from foreign grants and subsidies. Net cash provided by financing activities was \$950 million in 1998 primarily due to \$816 million in proceeds from borrowings, an increase in proceeds of \$197 million from foreign grants and subsidies and a decrease of \$93 million in payments on debt and capital lease obligations.

Under our Loan and Security Agreement (the Loan Agreement) effective on July 13, 1999, which provides for a four-year secured revolving line of credit of up to \$200 million, we can borrow, subject to amounts which may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of domestic cash we hold declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds. As of December 31, 2000, no funds were drawn under the Loan Agreement. In addition, we had available unsecured, uncommitted bank lines of credit in the amount of \$24 million, none of which were outstanding.

We plan to make capital investments of approximately \$1 billion during 2001. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

On January 29, 2001, we announced that the Board of Directors had authorized a program to repurchase up to \$300 million worth of our common shares over a period of time to be determined by management. These repurchases will be made in the open market or in privately negotiated transactions from time to time in compliance with the SEC's Rule 1b-18, subject to market conditions, applicable legal requirements and other factors. This plan does not obligate us to acquire any particular amount of our common stock and the plan may be suspended at any time at our discretion.

AMD Saxony, an indirect wholly owned German subsidiary of AMD, operates Dresden Fab 30 which began production in the second quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 will be \$2.3 billion when fully equipped by the end of 2003. We have invested \$1.4 billion to date. 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. Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth below are subject to change based on applicable conversion rates. We used the exchange rate at the end of 2000, which was approximately 2.20 deutsche marks to one U.S. dollar, to value the amounts denominated in deutsche marks. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

- . equity, subordinated loans and loan guarantees from AMD;
- . loans from a consortium of banks; and

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- . 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 Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested \$410 million as of December 31, 2000 in the form of subordinated loans to and equity in AMD Saxony. In addition to support from AMD, the consortium of banks referred to above has made available \$750 million in loans to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had \$375 million of such loans outstanding as of December 31, 2000.

Finally, the Federal Republic of Germany and the State of Saxony are supporting the Dresden Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- . guarantees of 65 percent of AMD Saxony bank debt up to a maximum of \$750 million in bank debt;
- . capital investment grants and allowances totaling \$287 million; and
- . interest subsidies totaling \$141 million.

Of these amounts, AMD Saxony had received \$284 million in capital investment grants and allowances and \$38 million in interest subsidies as of December 31, 2000. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. 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. As of December 31, 2000, we were in compliance with all of the conditions of the grants and subsidies.

In February 2001, we amended the Dresden Loan Agreements to reflect new capacity and increased capital expenditure plans for Dresden Fab 30. Under the February 2001 amendments, we agreed to increase and extend our guaranty of AMD Saxony's obligations and to make available to AMD Saxony revolving loans of up to \$500 million. We expanded our obligation to reimburse AMD Saxony for the cost of producing wafers for us and we also agreed to cancel the cost overrun facility made available by the banks. Under the February 2001 amendments, we have been released from financial covenants limiting capital expenditure and requiring AMD Saxony to achieve capacity and production cost targets by the end of 2001.

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

- . provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;
- . fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and

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- . guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than \$99 million or more than \$273 million, until the bank loans are repaid in full.

The definition of defaults under the Dresden Loan Agreements includes the failure of AMD, AMD Saxony or AMD Holding, the parent company of AMD Saxony and a wholly owned subsidiary of AMD, to comply with obligations in connection with the Dresden Loan Agreements, including:

- . material variances from the approved plans and specifications;
- . our failure to fund equity contributions or shareholder 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; and
- . the occurrence of default under the indenture dated August 1, 1996 between AMD and the United States Trust Company of New York (the Indenture) pursuant to which our Senior Secured Notes were issued or the Loan Agreement.

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 is not cured by us, would result in a cross-default under the Dresden Loan Agreements and the Loan Agreement. Under certain circumstances, cross-defaults result under our Convertible Subordinated Notes and the Dresden Loan Agreements. As of December 31, 2000, 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 and the Loan Agreement, which would permit acceleration of certain indebtedness, which would have a material adverse effect on us. 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.

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 Flash memory device wafer fabrication facility, FASL JV2. The facility, including equipment, is expected to cost approximately \$1.1 billion when fully equipped. As of December 31, 2000, approximately \$752 million (denominated in yen) of this cost had been funded. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. As of December 31, 2000, the building was complete and the clean room was under construction. The facility, designated as FASL JV3, is expected to cost approximately \$1.5 billion when fully equipped. Capital expenditures for FASL JV2 and FASL JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL.

FASL capital expenditures in 2001 will continue to be funded by cash generated from FASL

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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, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of December 31, 2000, we had \$38 million in loan guarantees outstanding with respect to these loans. These planned costs are denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of 2000, the exchange rate was approximately 112.52 yen to one U.S. dollar, which we used to calculate the amounts denominated in yen.

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.

On August 4, 2000, we received approximately \$375 million for the sale of 90 percent of Legerity. The proceeds of the sale were subsequently used to repurchase approximately \$356 million aggregate principal amount of our Senior Secured Notes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards, No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133). SFAS No. 133, as amended by SFAS Nos. 137 and 138, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. We will be required to implement SFAS No. 133 as of the beginning of our 2001 fiscal year. Our foreign currency exchange rate hedging activities have been insignificant to date and SFAS No. 133 will not have a material impact on our financial position, results of operations or cash flows.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue

Average rate	-	6.85%	-	-	-	-	-	-	-
Total investments:									
Securities	\$ 977,948	\$ 12,266	-	-	-	-	\$ 990,214	\$ 1,010,977	\$ 472,277
Average rate	6.74%	6.85%	-	-	-	-	-	-	-
Debt:									
Fixed rate amounts	\$ 41,101	\$ 136,630	\$ 93,299	\$ 76,404	\$ 589,019	\$ 336	\$ 936,789	\$ 853,288	\$ 1,194,237
Average rate	5.36%	5.32%	8.08%	6.10%	6.07%	9.88%	-	-	-
Variable rate amounts	-	-	-	-	-	-	-	-	-

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The table above presents principal (or notional) amounts and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of December 31, 2000 and December 26, 1999.

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, liabilities for products purchased from FASL 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 acquisition. Our accounting policy for these instruments is based on our designation of such instruments as hedging transactions. We generally do not use derivative financial instruments for speculative or trading purposes.

We had \$207 million (notional amount) of short-term foreign currency forward contracts denominated in Japanese yen, British pound, European Union euro, Singapore dollar and Thai baht outstanding as of December 31, 2000.

In 1998, we entered into an intercompany no-cost collar agreement to hedge Dresden Fab 30 project costs denominated in U.S. dollars. The no-cost collars included purchased put option contracts and no-cost collar written call option contracts, the contract rates of which were structured to avoid payment of any option premium at the time of purchase. During 1999, we entered into various option positions with various third-party banks to neutralize the exposures of the outstanding put and call option contracts. As a result, all the options were offset and canceled and we had no outstanding option contracts as of December 31, 2000.

We are party to an interest rate swap under which we received fixed-interest payments in exchange for variable interest payments calculated on a notional principal amount of \$400 million. The swap is not designated as a hedging instrument and had a fair value of \$2.9 million at December 31, 2000. In February 2001, we cancelled the swap and recognized an incremental gain of \$475,000.

Gains and losses related to the foreign currency forward, option contracts and interest rate swaps for the year ended December 31, 2000 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. We cannot give any assurance that these strategies will be effective or that transaction losses can be minimized or forecasted accurately.

The table on the next page provides information about our foreign currency forward and option contracts as of December 31, 2000 and December 26, 1999. All of our foreign currency forward contracts mature within the next 12 months.

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<TABLE>
<CAPTION>

	2000			1999		
(Thousands except contract rates)	Notional	Average	Estimated	Notional	Average	
Estimated	amount	contract rate	fair value	Amount	contract rate	fair
value						

	<C>	<C>	<C>	<C>	<C>	<C>
Foreign currency forward contracts:						
4 Japanese yen	\$ 54,915	110.22	\$ (781)	\$ 2,425	103.11	\$
10 British pound	5,103	1.45	(16)	1,219	1.63	
(1) Swiss franc	-	-	-	318	1.57	
(611) European Union euro	134,867	0.88	(1,602)	45,101	1.03	
17 Singapore dollar	5,573	1.70	7	8,382	1.67	
48 Thai baht	6,712	39.52	(619)	1,245	40.18	

(533)	\$ 207,170		\$ (3,011)	\$ 58,690		\$

RISK FACTORS

Our business, results of operations and financial condition are subject to a number of risk factors, including the following:

Microprocessor Products

Dependence on AMD Seventh-Generation Microprocessors. We must successfully market our seventh-generation Microsoft Windows compatible microprocessors, the AMD Athlon and AMD Duron microprocessors, in order to increase our microprocessor product revenues in 2001 and beyond, and to benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors. We began volume shipments of AMD Athlon microprocessors in the second half of 1999. We began shipments of AMD Duron processors, a derivative of the AMD Athlon processor designed to provide an optimized solution for value-conscious business and home users, in the second half of 2000. Our production and sales plans for AMD Athlon and AMD Duron microprocessors are subject to numerous risks and uncertainties, including:

- . our ability to maintain average selling prices of seventh-generation microprocessors despite aggressive Intel marketing programs and product bundling of microprocessors, motherboards, chipsets and combinations thereof;
- . whether Tier One OEM customers will use our seventh-generation microprocessors in systems developed for the commercial market;
- . our ability to successfully offer new higher performance versions of the AMD Athlon microprocessor competitive with Intel's Pentium III and Pentium IV processors;
- . our ability to produce seventh-generation microprocessors in the volume and with the performance and feature set required by customers on a timely basis;
- . our ability to expand our chipset and system design capabilities;
- . the pace at which we are able to ramp production in Dresden Fab 30 on 0.18-micron copper interconnect process technology;
- . the availability and acceptance of motherboards and chipsets designed for our seventh-generation microprocessors; and

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- . the use and market acceptance of a non-Intel processor bus (adapted by us from Digital Equipment Corporation's EV6 bus) in the design of our seventh-generation microprocessors, and the availability of chipsets from vendors who will develop, manufacture and sell chipsets with the EV6 interface in volumes required by us.

If we fail to achieve continued market acceptance of our seventh-generation microprocessors our business will be materially and adversely affected.

Investment in and Dependence on AMD Microprocessor Products. Our microprocessor product revenues have and will continue in 2001 and 2002 to make significant contributions to our overall revenues, profit margins and operating results. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. These capital expenditures will be a substantial drain on our cash flow and possibly on our cash balances as well.

Our ability to increase microprocessor product revenues, and benefit fully from

the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon success of the AMD Athlon and AMD Duron microprocessors, which are our seventh-generation Microsoft Windows compatible microprocessors, and future generations of microprocessors beginning with the "Hammer" family of microprocessors that we plan to introduce in 2002. The Hammer processors will be our first processors capable of 64-bit operation, and are being designed to deliver leading-edge performance on both the 64-bit software used by high-end workstations and servers and the 32-bit software used by the majority of desktop users.

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 process technologies at a fast pace and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds. Any significant difficulty in achieving microprocessor yield and volume plans may adversely affect our results of operations and liquidity. If we fail to offer higher performance microprocessors in significant volume on a timely basis in the future, our business could be materially and adversely affected. We may not achieve the production ramp necessary to meet our customers' volume requirements for higher performance microprocessors. It is also possible that we may not increase our microprocessor revenues enough to achieve sustained profitability.

To sell the volume of AMD Athlon and AMD Duron microprocessors we currently plan to make in 2001 and 2002, we must increase sales to existing customers and develop new customers in both consumer and commercial markets. If we lose any current top tier OEM customers, or if we fail to attract additional customers through direct sales and through our distributors, we may not be able to sell the volume of units planned. This result could have a material adverse effect on our business.

Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

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- . the effects of Intel's new product introductions, marketing strategies and pricing;
- . adverse market conditions in the personal computer (PC) market and consequent diminished demand for our microprocessors;
- . market acceptance of our microprocessors, including the timely volume availability of motherboards and chipsets designed for these processors;
- . whether we can successfully fabricate higher performance microprocessors in planned volume and speed mixes;
- . whether we will have the financial and other resources necessary to continue to invest in the microprocessor products, including leading-edge wafer fabrication equipment and advanced process technologies;
- . the possibility that our newly introduced products may be defective; and
- . unexpected interruptions in our manufacturing operations.

See also the discussions below regarding Intel Dominance and Process Technology.

Intel Dominance. Intel has dominated the market for microprocessors used in PCs for many years. Because of its dominant market position, Intel has historically set and controlled x86 microprocessor and PC system standards and, thus, dictated the type of product the market requires of Intel's competitors. In addition, Intel may and does vary prices on its microprocessors and other products at will and thereby affects the margins and profitability of its competitors due to its financial strength and dominant position. Because Intel has dominated the microprocessor market for many years and has brand strength, we have in the past priced AMD microprocessors below the published price of Intel processors offering comparable performance. Thus, Intel's processor marketing and pricing can impact and have impacted the average selling prices of our microprocessors, and consequently can impact and have impacted our overall margins.

Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand program and other marketing programs. Intel invests billions of dollars in, and as a result exerts influence over, many other technology companies. We expect Intel to continue to invest heavily in research and development, new manufacturing facilities and other technology companies, and to remain dominant:

- . through the Intel Inside and other marketing programs;
- . through other contractual constraints on customers, retailers, industry suppliers and other third parties;
- . by controlling industry standards; and
- . by controlling supply and demand of motherboards, chipsets and other system components.

As an extension of its dominant microprocessor market share, Intel also

dominates the PC platform. As a result, PC manufacturers have been increasingly unable to innovate and differentiate their product offerings. We do not have the financial resources to compete with Intel on such a large scale. As long as Intel remains in this dominant position, we may be materially and adversely affected by its:

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

As Intel expanded its dominance over the PC system platform, many PC manufacturers reduced their system development expenditures and now purchase microprocessors together with chipsets or in assembled motherboards. PC OEMs are increasingly dependent on Intel, less innovative on their own and, to a large extent, distributors of Intel technology. In marketing our microprocessors to these OEMs and dealers, we depend on 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. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes, and will continue to make, it increasingly difficult for these third parties to retain or regain market share.

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 microprocessors 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 the Pentium III, Pentium IV and Celeron processors 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, the AMD Athlon and AMD Duron microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. The same will be true of our Hammer family microprocessors. Our ability to compete with Intel in the market for seventh-generation and future generation microprocessors will depend on our:

- . success in designing and developing the microprocessors; and
- . ability to ensure that the microprocessors can be used in PC platforms designed to support our microprocessors, or that platforms are available which support both Intel processors and our microprocessors.

A failure for any reason of the designers and producers of motherboards, chipsets, processor modules and other system components to support our microprocessor offerings would have a material adverse effect on our business.

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Dependence on Microsoft and Logo License. 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 the x86 instructions that we innovate and design into our processors, independent software providers may forego designing their software applications to take advantage of our innovations. This would adversely affect our ability to market our processors. For example, we cannot assure that Microsoft will support our Hammer family of microprocessors and its x86-64 bit instruction set. Microsoft's support is vital to the success of the Hammer family products currently in development.

In addition, we have entered into logo license agreements with Microsoft that allow us to label our products as "Designed for Microsoft Windows." We have also obtained appropriate certifications from recognized testing organizations for our microprocessors. If we fail to maintain the logo license agreements with Microsoft, we may lose our ability to label our microprocessors with the Microsoft Windows logo. This could impair our ability to market the products and could have a material adverse effect on our business.

Fluctuations in the PC Market. Since most of our microprocessor products are used in PCs and related peripherals, our future growth is closely tied to the growth of the PC industry. Industry-wide fluctuations in the PC marketplace have in the past and may in the future materially and adversely affect our business.

Flash Memory Products

The demand for Flash memory devices has recently increased substantially due to the increasing use of equipment and other devices requiring non-volatile memory such as:

- . cellular telephones;
- . routers which transfer data between local area networks;
- . PC cards which are inserted into notebook and subnotebook computers or personal digital assistants; and
- . Consumer electronic items such as set top boxes, personal digital assistants and digital cameras.

In order to meet forecasted demand, we must increase our production of Flash memory devices through FASL's fabrication facilities, FASL JV1, FASL JV2 and FASL JV3, and through foundry or similar arrangements with others. We cannot be certain that the demand for Flash memory products will remain at current or greater levels, or that we will have sufficient capacity to meet the demand for Flash memory devices. Our inability to meet the demand for Flash memory devices could have a material adverse effect on our business.

Competition in the market for Flash memory devices will increase in 2001 and beyond as existing manufacturers introduce new products and industry-wide production capacity increases. It is possible that we will be unable to maintain or increase our market share in Flash memory devices as the market develops and as existing and potential new competitors introduce competitive products. A decline in our Flash memory device business or decline in revenue in this product line could have a material adverse effect on our business.

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Demand for Our Products Affected by Worldwide Economic Conditions

While general industry demand is currently strong, a decline of the worldwide semiconductor market could decrease the demand for microprocessors, Flash memory devices and other integrated circuits. A significant decline in economic conditions in any significant geographic area, either domestically or internationally, could decrease the overall demand for our products, which could have a material adverse effect on our business.

Financing Requirements

We will have significant capital requirements over the next 12 months. To the extent that we cannot generate the required capital internally or obtain such capital externally, our business could be materially affected. We cannot assure the availability of such capital on terms favorable to us, or at all. We currently plan to make capital investments of approximately \$1 billion in 2001 although the actual expenditures may vary. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

In March 1997, our indirect wholly owned subsidiary, AMD Saxony, entered into the Dresden Loan Agreements with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested \$410 million as of December 31, 2000, in the form of subordinated loans and equity in AMD Saxony. If 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 Agreement and the Loan Agreement, which would permit acceleration of indebtedness, which would have a material adverse effect on our business.

In July 2000, FASL broke ground for a third fabrication facility, FASL JV3, for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. As of December 2000, the building was complete and the clean room was under construction. FASL JV3 is expected to cost \$1.5 billion when fully equipped. FASL capital expenditures to date have been funded by cash generated from FASL operations and borrowings by FASL. If FASL is unable to secure the necessary funds for FASL JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. If we are unable to fulfill our obligations to FASL, our business will be materially and adversely affected.

On July 13, 1999, we entered into a Loan and Security Agreement (the Loan Agreement) with a consortium of banks led by Bank of America. Under the Loan Agreement, which provides for a four-year secured revolving line of credit of up to \$200 million, we can borrow, subject to amounts which 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 domestic cash we hold declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels.

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Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds.

Manufacturing

Capacity. We underutilize our manufacturing facilities from time to time as a result of reduced demand for certain of our products. In the past, there have been times when our operations related to microprocessors have been particularly affected by this situation. If we underutilize our manufacturing facilities in the future, our gross margins may suffer. We are substantially increasing our manufacturing capacity by making significant capital investments in Fab 25 and Dresden Fab 30. FASL is currently constructing FASL JV3. We are continuing to increase production in our test and assembly facility in Suzhou, China. We are basing our strategy of increasing our manufacturing capacity on industry projections for future growth. If these industry projections are inaccurate, or if demand for our products does not increase consistent with our plans and expectations, we will likely underutilize our manufacturing facilities and our business could be materially and adversely affected.

In contrast to the above, there also have been situations in the past in which our manufacturing facilities were inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on our business. At this time, the risk is that we will have insufficient capacity to meet demand for Flash memory products and underutilized capacity relative to demand for our microprocessor offerings.

Process Technology. In order to remain competitive, we must make continuing substantial investments in improving our process technologies. In particular, we have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these investments might not be fully recovered if we fail to continue to gain market acceptance or if the market for our Flash memory products should significantly deteriorate. Likewise, we are making a substantial investment in Dresden Fab 30. We have developed and installed 0.18-micron process technology and copper interconnect technology in Dresden Fab 30 in order to manufacture AMD Athlon microprocessors. We have entered into a strategic alliance with Motorola to co-develop logic process and embedded Flash technologies. The logic process technology which is the subject of the alliance includes the copper interconnect and silicon on insulator technology that is required for AMD Athlon microprocessors and subsequent generations of microprocessors. The successful development and implementation of silicon on insulator technology is, for example, critical to the success of the Hammer family of processors currently under development. We cannot be certain that the strategic alliance will be successful or that we will be able to develop or obtain the leading-edge process technologies that will be required in Fab 25 or Dresden Fab 30 to fabricate microprocessors successfully.

Manufacturing Interruptions and Yields. Any substantial interruption of our manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could materially and adversely affect our business operations. We also have been and may in the future be

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

materially and adversely affected by fluctuations in manufacturing yields. The design and manufacture of ICs is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include equipment performance and process controls as well as other risks, all of which can affect yields.

Product Incompatibility. Our products may possibly be incompatible with some or all industry-standard software and hardware. 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. It is also possible that we may be unsuccessful in correcting any such compatibility problems that are discovered or that corrections will be unacceptable to customers or made in an untimely manner. In addition, the mere announcement of an incompatibility

problem relating to our products could have a material adverse effect on our business.

Product Defects. One or more of our products may possibly be found to be defective after we have already shipped such products in volume, requiring a product replacement, recall or a software fix which would cure such defect but impede performance. We may also be subject to product returns which could impose substantial costs on us and have a material and adverse effect on our business.

Essential Manufacturing 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 a few foreign companies principally supply several types of the integrated circuit packages purchased by us. Interruption of supply or increased demand in the industry could cause shortages in various essential materials. We would have to reduce our manufacturing operations if we were unable to procure certain of these materials. This reduction in our manufacturing operations could have a material adverse effect on our business.

International Manufacturing and Foundries. Nearly all product assembly and final testing of our products are performed at our manufacturing 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. Foreign manufacturing and construction of foreign facilities entail political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if we were unable to assemble and test our products abroad, or if air transportation between the United States and our overseas facilities were disrupted, there could be a material adverse effect on our business.

Key Personnel

Our future success depends upon the continued service of numerous key engineering, manufacturing, marketing, sales and executive personnel. We may or may not be able to continue to attract, retain and motivate qualified personnel necessary for our business. Loss of

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

the service of, or failure to recruit, key engineering design personnel could be significantly detrimental to our product development programs, including next generation microprocessors and Flash memory devices, or otherwise have a material adverse effect on our business.

Fluctuations in Operating Results

Our operating results are subject to substantial quarterly and annual fluctuations due to a variety of factors, including:

- . the effects of competition with Intel in microprocessor and Flash memory device markets;
- . the gain or loss of significant customers;
- . new product introductions by us or our competitors;
- . changes in the mix of products produced and sold and in the mix of sales by distribution channels;
- . market acceptance of new or enhanced versions of our products;
- . decreases in unit average selling prices of our products due to competitive pricing pressures or other factors;
- . production capacity levels and fluctuations in manufacturing yields;
- . availability and cost of products from our suppliers;
- . seasonal customer demand; and
- . the timing of significant orders and the timing and extent of product development costs.

Our operating results also tend to vary seasonally due to vacation and holiday schedules. Our revenues are generally lower in the first, second and third quarters of each year than in the fourth quarter. 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 personal computer market during the winter holiday season.

In addition, operating results have recently been, and may in the future be, adversely affected by general economic and other conditions causing a downturn in the market for semiconductor devices, or otherwise affecting the timing of customer orders or causing order cancellations or rescheduling. Our customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of our control. These factors are difficult to forecast, and these or other factors could materially and adversely affect our quarterly or annual operating results.

Other Risk Factors

Technological Change and Industry Standards. The market for our products is generally characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. Currently accepted industry standards may change. Our success depends substantially on our ability, on a cost-effective and timely basis, to continue to enhance our existing products and to develop and introduce new products that take advantage of

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

technological advances and adhere to evolving industry standards. An unexpected change in one or more of the technologies related to our products, in market demand for products based on a particular technology or of accepted industry standards could materially and adversely affect our business. We may or may not be able to develop new products in a timely and satisfactory manner to address new industry standards and technological changes, or to respond to new product announcements by others. In addition, new products may or may not achieve market acceptance.

Competition. The integrated circuit industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency and competition increase, and as successive generations of products are developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on:

- . performance;
- . product quality and reliability;
- . price;
- . adherence to industry standards;
- . software and hardware compatibility;
- . marketing and distribution capability;
- . brand recognition;
- . financial strength; and
- . ability to deliver in large volumes on a timely basis.

Order Revision and Cancellation Policies. We manufacture and market standard lines of products. Sales are made primarily pursuant to purchase orders for current delivery or agreements covering purchases over a period of time, which may be revised or canceled without penalty. As a result, we must commit resources to the production of products without any advance purchase commitments from customers. Our inability to sell products after we devoted significant resources to them could have a material adverse effect on our business.

Distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as 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 if the agreement with the distributor is terminated. The market for our products is generally characterized by, among other things, severe price competition. 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.

Intellectual Property Rights. Potential Litigation. Our current patent license agreement with Intel expired at the end of 2000. We are currently negotiating a new agreement with Intel but

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

there can be no assurance that a new agreement will be successfully negotiated. The lack of a patent cross-license with Intel could lead to expensive and time-consuming litigation the outcomes of which could have a material effect on our business.

Intel aside, it is possible that:

- . we will be unable to protect our technology or other intellectual property adequately through patents, copyrights, trade secrets, trademarks and other measures;

- . patent applications that we may file will not be issued;
- . foreign intellectual property laws will not protect our intellectual property rights;
- . any patent licensed by or issued to us will be challenged, invalidated or circumvented or that the rights granted thereunder will not provide competitive advantages to us; and
- . others will independently develop similar products, duplicate our products or design around our patents and other rights.

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 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 our business. We cannot give any assurance that all necessary licenses can be obtained on satisfactory terms, or whether litigation may always be avoided or successfully concluded.

California Energy Crisis. California's two largest power companies are currently experiencing a power shortage that has resulted in "rolling" blackouts to maintain the stability of the state power grid. Certain of AMD's California facilities, including headquarters, product design, sales and process technology development facilities, are susceptible to power interruptions as long as the energy crisis continues. One of the power companies, PG&E, has filed an additional contingency plan with the California Public Utilities Commission that would, if implemented, result in lengthy and routine power interruptions that would directly impact our leading-edge process technology development efforts, which could have a material adverse impact on our business. We are continuing to assess the impact of the energy crisis on our operations.

Environmental Regulations. We could possibly be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process. Such regulations could require us to acquire 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.

International Sales. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Volatility of Stock Price; Ability to Access Capital. Based on the trading history of our stock, we believe that the following factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially:

- . quarterly fluctuations in our operating and financial results;
- . announcements of new products and/or pricing by us or our competitors;
- . the pace of new process technology and product manufacturing ramps;
- . production yields of key products; and
- . general conditions in the semiconductor industry.

In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of our common stock in any given period. Technology company stocks in general have experienced extreme price and volume fluctuations that are often unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of our common stock and consequently limit our ability to raise capital or to make acquisitions. Our current long term business plan envisions substantial cash outlays which may require external capital financing. It is possible that capital and/or long-term financing will be unavailable on terms favorable to us or in sufficient amounts to enable us to implement our strategic plans.

Debt Restrictions. The Dresden Loan Agreements substantially prohibit AMD Saxony from transferring assets to us.

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

Euro Conversion. On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro. The participating countries adopted the euro as their

common legal currency on that date. The transition period will last through January 1, 2002. We do not expect the introduction and use of the euro to materially affect our foreign exchange activities, to affect our use of derivatives and other financial instruments or to result in any material increase in costs to us. We will continue to assess the impact of the introduction of the euro currency over the transition period.

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CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE> <CAPTION> Three Years Ended December 31, 2000 (Thousands except per share amounts)			
	2000	1999	1998
<S>	<C>	<C>	<C>
Net sales	\$4,644,187	\$2,857,604	\$2,542,141
Expenses:			
Cost of sales	2,514,637	1,964,434	1,718,703
Research and development	641,799	635,786	567,402
Marketing, general and administrative	599,015	540,070	419,678
Restructuring and other special charges	-	38,230	-
	3,755,451	3,178,520	2,705,783
Operating income (loss)	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 income and other, net	86,301	31,735	34,207
Interest expense	(60,037)	(69,253)	(66,494)
Income (loss) before income taxes, equity in net income of joint venture and extraordinary item	1,251,899	73,625	(207,429)
Provision (benefit) for income taxes	256,868	167,350	(91,878)
Income (loss) before equity in net income of joint venture and extraordinary item	995,031	(93,725)	(115,551)
Equity in net income of joint venture	11,039	4,789	11,591
Net income (loss) before extraordinary item	1,006,070	(88,936)	(103,960)
Extraordinary item - debt retirement, net of \$13,497 tax benefit	(23,044)	-	-
Net income (loss)	\$ 983,026	\$ (88,936)	\$ (103,960)
Net income (loss) per common share:			
Basic - income (loss) before extraordinary item	\$ 3.25	\$ (0.30)	\$ (0.36)
Diluted - income (loss) before extraordinary item	\$ 2.95	\$ (0.30)	\$ (0.36)
Basic - income (loss) after extraordinary item	\$ 3.18	\$ (0.30)	\$ (0.36)
Diluted - income (loss) after extraordinary item	\$ 2.89	\$ (0.30)	\$ (0.36)
Shares used in per share calculation:			
Basic	309,331	294,577	287,796
Diluted	350,000	294,577	287,796

</TABLE>

See accompanying notes

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CONSOLIDATED BALANCE SHEETS

<TABLE> <CAPTION> December 31, 2000, and December 26, 1999 (Thousands except share and per share amounts)		
	2000	1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 591,457	\$ 294,125
Short-term investments	701,708	302,386
Total cash, cash equivalents and short-term investments	1,293,165	596,511
Accounts receivable, net of allowance for doubtful accounts		

of \$22,712 in 2000 and \$15,378 in 1999	547,200	429,809
Inventories:		
Raw materials	34,413	10,236
Work-in-process	154,854	97,143
Finished goods	154,274	90,834

Total inventories	343,541	198,213
Deferred income taxes	218,527	55,956
Prepaid expenses and other current assets	255,256	129,389

Total current assets	2,657,689	1,409,878
Property, plant and equipment:		
Land	33,094	35,872
Buildings and leasehold improvements	1,420,313	1,187,712
Equipment	3,563,125	2,851,315
Construction in progress	445,269	863,403

Total property, plant and equipment	5,461,801	4,938,302
Accumulated depreciation and amortization	(2,825,334)	(2,415,066)

Property, plant and equipment, net	2,636,467	2,523,236
Investment in joint venture	261,728	273,608
Other assets	211,851	170,976

	\$5,767,735	\$4,377,698
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 477,369	\$ 387,193
Accrued compensation and benefits	172,815	91,900
Accrued liabilities	276,721	273,689
Income tax payable	74,806	17,327
Deferred income on shipments to distributors	92,828	92,917
Current portion of long-term debt, capital lease obligations and other	129,570	47,626

Total current liabilities	1,224,109	910,652
Deferred income taxes	203,986	60,491
Long-term debt, capital lease obligations and other, less current portion	1,167,973	1,427,282
Commitments and contingencies		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; 750,000,000 shares authorized in 2000 and 500,000,000 shares authorized in 1999; 314,137,160 shares issued and outstanding in 2000 and 297,312,556 in 1999	3,141	2,973
Capital in excess of par value	1,406,290	1,120,479
Retained earnings	1,856,261	873,235
Accumulated other comprehensive loss	(94,025)	(17,414)

Total stockholders' equity	3,171,667	1,979,273

	\$5,767,735	\$4,377,698
	=====	=====

</TABLE>

See accompanying notes

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>						
<CAPTION>						
		Common Stock		Capital in	Accumulated	
		-----		excess of	other	
Total						
Three Years Ended December 31, 2000		Number of		par value	Retained	comprehensive
stockholders'		shares	Amount		earnings	income (loss)
(Thousands)						
equity						

<S>	<C>	<C>	<C>	<C>	<C>	<C>
December 28, 1997	284,246	\$ 2,842	\$ 1,017,470	\$ 1,066,131	\$ (56,900)	\$
2,029,543						
Comprehensive loss:						
Net loss	-	-	-	(103,960)	-	-
(103,960)						
Other comprehensive loss:						
Net change in unrealized gain on						

investments, net of taxes of \$355	-	-	-	-	4,753
4,753					
Net change in cumulative translation adjustments	-	-	-	-	21,969
21,969					
-----					----
Total other comprehensive income					
26,722					
-----					----
Total comprehensive loss					
(77,238)					
-----					----
Issuance of shares:					
Employee stock plans	4,708	48	25,635	-	-
25,683					
Fujitsu Limited	2,000	20	18,385	-	-
18,405					
Compensation recognized under employee stock plans	-	-	8,645	-	-
8,645					
Warrants exercised	-	-	11	-	-
11					
-----					----
December 27, 1998	290,954	2,910	1,070,146	962,171	(30,178)
2,005,049					
-----					----
Comprehensive loss:					
Net loss	-	-	-	(88,936)	-
(88,936)					
Other comprehensive income:					
Net change in unrealized gain on investments, net of taxes of \$2,635	-	-	-	-	12,121
12,121					
Less: Reclassification adjustment for gains included in earnings	-	-	-	-	(4,603)
(4,603)					
Net change in cumulative translation adjustments	-	-	-	-	5,246
5,246					
-----					----
Total other comprehensive income	-	-	-	-	-
12,764					
-----					----
Total comprehensive loss					
(76,172)					
-----					----
Issuance of shares:					
Employee stock plans	5,358	53	31,126	-	-
31,179					
Fujitsu Limited	1,000	10	12,588	-	-
12,598					
Compensation recognized under employee stock plans	-	-	6,619	-	-
6,619					
-----					----
December 26, 1999	297,312	2,973	1,120,479	873,235	(17,414)
1,979,273					
-----					----
Comprehensive income:					
Net income	-	-	-	983,026	-
983,026					
Other comprehensive income:					
Net change in unrealized gain 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	122,826	-	-
122,994					
Conversion of our 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	\$ 1,406,290	\$ 1,856,261	\$ (94,025)
3,171,667					

</TABLE>

See accompanying notes

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CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

Three Years Ended December 31, 2000
(Thousands)

	2000	1999	1998

<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	\$ 983,026	\$ (88,936)	\$ (103,960)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Gain on sale of Vantis	-	(432,059)	-
Gain on sale of Legerity	(336,899)	-	-
Depreciation and amortization	579,070	515,520	467,521
(Increase) decrease in deferred income tax assets	(19,076)	160,668	(106,861)
Restructuring and other special charges	-	29,858	-
Foreign grant subsidy income	(35,187)	(50,178)	-
Net loss on disposal of property, plant and equipment	10,380	10,665	11,515
Net gain realized on sale of available-for-sale securities	-	(4,250)	-
Compensation recognized under employee stock plans	867	2,655	8,645
Undistributed income of joint venture	(11,039)	(4,789)	(11,591)
Recognition of deferred gain on sale of building	(1,681)	(1,680)	-
Income tax benefits from employee stock option exercises	158,253	-	-
Changes in operating assets and liabilities:			
Increase in accounts receivable	(132,325)	(44,526)	(86,684)
Increase in inventories	(156,284)	(23,138)	(6,558)
Decrease/(increase) in prepaid expenses	79,293	(101,786)	(12,930)
Decrease/(increase) in other assets	(269,392)	55,485	(45,826)
Increase (decrease) in tax refund receivable and tax payable	57,479	(4,992)	9,350
Customer deposits under purchase agreements	142,500	-	-
Net increase in payables and accrued liabilities	156,567	241,403	19,195

Net cash provided by operating activities	1,205,552	259,920	141,816

Cash flows from investing activities:			
Purchases of property, plant and equipment	(805,474)	(619,772)	(975,105)
Proceeds from sale of Vantis	-	454,269	-
Proceeds from sale of Legerity	375,000	-	-
Proceeds from sale of property, plant and equipment	12,899	3,996	106,968
Purchases of available-for-sale securities	(4,179,993)	\$ (1,579,813)	(1,591,802)
Proceeds from sale or maturity of available-for-sale securities	3,781,766	1,598,946	1,482,890

Net cash used in investing activities	(815,802)	(142,374)	(977,049)

Cash flows from financing activities:			
Proceeds from borrowings	135,789	12,101	816,448
Debt issuance costs	-	-	(14,350)
Payments on debt and capital lease obligations	(375,016)	(243,762)	(92,601)
Proceeds from foreign grants and subsidies	15,382	14,341	196,651

Proceeds from issuance of stock	122,994	43,777	44,099
Net cash (used) provided by financing activities	(100,851)	(173,543)	950,247
Effect of exchange rate changes on cash and cash equivalents	8,433	(11,786)	6,236
Net increase (decrease) in cash and cash equivalents	297,332	(67,783)	121,250
Cash and cash equivalents at beginning of year	294,125	361,908	240,658
Cash and cash equivalents at end of year	\$ 591,457	\$ 294,125	\$ 361,908

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest, net of amounts capitalized	\$ 115,791	\$ 51,682	\$ 58,517
Income taxes	\$ 46,009	\$ 15,466	\$ 2,732
Non-cash financing activities:			
Equipment capital leases	\$ -	\$ 2,307	\$ 13,908

</TABLE>

See accompanying notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000, December 26, 1999 and December 27, 1998

1. NATURE OF OPERATIONS

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

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 2000 was a 53-week year which ended on December 31, 2000. Fiscal 1999 and 1998 were 52-week years which ended on December 26 and December 27, respectively. Fiscal 2001 will be a 52-week year ending December 30, 2001.

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 consolidated financial statements, under the equity method of accounting, is the Company's 49.992 percent investment in Fujitsu AMD Semiconductor Limited (FASL).

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

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

Investments. The Company classifies its marketable debt and equity securities at the date of acquisition, into held-to-maturity and available-for-sale categories. Currently, the Company classifies its securities 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 judged to be other than temporary are included in interest income and other, net. Interest and dividends on all securities are also included in interest income and other, 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

debt securities such as commercial paper, corporate notes, certificates of deposit and marketable direct obligations of United States governmental agencies.

Derivative Financial Instruments. The Company utilizes derivative financial instruments to reduce financial market risks. The Company uses these instruments to hedge foreign currency and interest rate market exposures of underlying assets, liabilities and other obligations. The Company generally does not use derivative financial instruments for speculative or trading purposes. The Company's accounting policies for these instruments are based on whether such instruments are designated as hedging transactions. The criteria the Company uses for designating an instrument as a hedge includes the instrument's effectiveness in risk reduction and one-to-one matching of derivative instruments to underlying transactions. Gains and losses on foreign currency forward and option contracts that are designated and effective as hedges of anticipated transactions, for which a firm commitment has been attained, are deferred and either recognized in income or included in the basis of the transaction in the same period that the underlying transactions are settled. Gains and losses on foreign currency forward and option contracts and interest rate swap contracts that are designated and effective as hedges of existing transactions are recognized in income in the same period as losses and gains on the underlying transactions are recognized and generally offset. Gains and losses on any instruments not meeting the above criteria are recognized in income in the current period. If an underlying hedged transaction is terminated earlier than initially anticipated, the offsetting gain or loss on the related derivative instrument is recognized in income in the same period. Subsequent gains or losses on the related derivative instrument are recognized in income in each period until the instrument matures, is terminated or is sold. Premiums paid for foreign currency forward and option contracts are generally amortized over the life of the contracts and are not material to our results of operations. Unamortized premiums are included in prepaid expenses and other current assets.

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

Property, Plant and Equipment. Property, plant and equipment 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 and on accelerated methods for tax purposes. Estimated useful lives for financial reporting purposes are as follows:

- . machinery and equipment, three to five years;
- . buildings, 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.

Revenue Recognition. The Company recognizes revenue from product sold direct to customers when the contract is in place, the price is determined, shipment is made and collectibility is reasonably assured. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

distributor is terminated and such products have not yet been sold by other distributors. Accordingly, the Company defers recognition of revenue and related profits from sales to distributors with agreements that have the aforementioned terms until the merchandise is resold by the distributors.

Foreign Grants and Subsidies. The Federal Republic of Germany and the State of Saxony have agreed to support the Dresden Fab 30 project in the amount of \$427 million (denominated in deutsche marks) consisting of capital investment grants and interest subsidies. Dresden Fab 30 is the Company's new integrated circuit manufacturing and design facility in Dresden, Germany. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. The grants and subsidies will be recognized as a reduction of operating expense ratably over the life of the project. In 2000, grants and subsidies recognized as a reduction to operating expenses amounted to \$35 million. As of December 31, 2000, AMD Saxony had received grants and subsidies totaling approximately \$322 million (denominated in deutsche marks). 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 the amounts received to date.

Advertising Expenses. The Company accounts for advertising costs as expense in the period in which they are incurred. Advertising expense for 2000, 1999 and

1998 was approximately \$148 million, \$101 million and \$74 million, respectively.

Net Income (Loss) Per Common Share. Basic and diluted net income (loss) per share are computed using weighted-average common shares outstanding.

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

<TABLE>
<CAPTION>

(Thousands except per share data)	2000	1999	1998
<S>	<C>	<C>	<C>
Numerator:			
Numerator for basic income (loss) per common share before extraordinary item	\$ 1,006,070	\$ (88,936)	\$ (103,960)
Numerator for basic extraordinary loss per common share	23,044	-	-
Numerator for basic income (loss) per common share	\$ 983,026	\$ (88,936)	\$ (103,960)
Numerator for basic income (loss) per common share before extraordinary item	\$ 1,006,070	\$ (88,936)	\$ (103,960)
Effect of adding back interest expense associated with convertible debentures	27,507	-	-
Numerator for diluted income (loss) per common share before extraordinary item	\$ 1,033,127	\$ (88,936)	\$ (103,960)
Numerator for diluted extraordinary loss per common share	23,044	-	-
Numerator for diluted income (loss) per common share	\$ 1,010,083	\$ (88,936)	\$ (103,960)
Denominator:			
Denominator for basic income (loss) per common share - weighted-average shares	309,331	294,577	287,796

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>

<S>	<C>	<C>	<C>
Effect of dilutive securities:			
Employee stock options	12,711	-	-
Convertible debentures	27,958	-	-
Dilutive potential common shares	40,669	-	-
Denominator for diluted income (loss) per common share - adjusted weighted-average shares	350,000	294,577	287,796
Net income (loss) per common share:			
Basic:			
Income (loss) before extraordinary item	\$ 3.25	\$ (0.30)	\$ (0.36)
Extraordinary item; debt retirement	\$ 0.07	\$ -	\$ -
Net income (loss)	\$ 3.18	\$ (0.30)	\$ (0.36)
Diluted:			
Income (loss) before extraordinary item	\$ 2.95	\$ (0.30)	\$ (0.36)
Extraordinary item; debt retirement	\$ 0.06	\$ -	\$ -
Net income (loss)	\$ 2.89	\$ (0.30)	\$ (0.36)

</TABLE>

Options, restricted stock and convertible debt were outstanding during 2000, 1999 and 1998. Warrants were outstanding in 1998. In 1999 and 1998 all of these instruments were not included in the computation of diluted net loss per common share because the effect in years with a net loss would be antidilutive.

On August 21, 2000, the Company effected a two-for-one stock split in the form of a stock dividend of one share of common stock for each share of AMD common stock held on August 7, 2000. Share and per share amounts have been adjusted for all prior periods presented to give effect to the stock split.

Accumulated Other Comprehensive Loss. Unrealized gains or losses on the Company's available-for-sale securities and the foreign currency translation adjustments, are included in accumulated other comprehensive income (loss).

The following are the components of accumulated other comprehensive loss:

(Thousands)	2000	1999
Unrealized gain on investments, net of tax	\$ 13,143	\$ 14,278
Cumulative translation adjustments	(107,168)	(31,692)

Cumulative translation adjustments are not tax-effected.

Employee Stock Plans. The Company uses the intrinsic value method to account for its stock option plans and its employee stock purchase plan. See Note 10.

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 contingent assets and liabilities at the date of the financial statements and the reported

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Financial Presentation. The Company has reclassified certain prior year amounts in the consolidated financial statements to conform to the 2000 presentation.

New Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133). SFAS No. 133, as amended by SFAS Nos. 137 and 138, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The Company is required to implement SFAS No. 133 as of the beginning of fiscal year 2001. The Company's foreign currency exchange rate hedging activities have been insignificant to date and SFAS No. 133 will not have a material impact on its financial position, results of operations or cash flows.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," (SAB 101). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company's implementation of SAB 101 in 2000 had no impact on its financial position, results of operations or cash flows for the year ending December 31, 2000.

In March 2000, FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation—An Interpretation of APB Opinion No. 25," (FIN 44), was issued. FIN 44 clarifies the application of APB No. 25 for certain stock-based compensation issues. FIN 44 clarifies the definition of employee for purposes of applying APB No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequences of various modifications to the terms of a previously fixed option or award, and the accounting for an exchange of share compensation awards in a business combination, among others. FIN 44 was effective July 1, 2000, but certain conclusions in this interpretation cover specific events that occurred after either December 15, 1998 or January 12, 2000. The implementation of FIN 44 did not have a significant impact on the Company's financial position or results of operations.

3. SALE OF LEGERITY

On August 4, 2000, the Company completed the sale of 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. 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. The Company has retained a ten percent ownership interest in Legerity and a warrant to acquire approximately an additional ten percent. As part of the transaction, the Company entered into various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL INSTRUMENTS

Available-For-Sale Securities

Available-for-sale securities as of December 31, 2000 and December 26, 1999 were as follows:

<TABLE>
<CAPTION>

(Thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Fair market value
<S>	<C>	<C>	<C>	<C>
2000				
Cash equivalents:				
Commercial paper	\$ 200,261	\$ 1,762	\$ (13)	\$ 202,010
Money market funds	78,300	-	-	78,300
Total cash equivalents	\$ 278,561	\$ 1,762	\$ (13)	\$ 280,310
Short-term investments:				
Money market auction rate preferred stocks	\$ 224,590	\$ -	\$ -	\$ 224,590
Certificates of deposit	20,001	-	(1)	20,000
Corporate notes	9,366	523	-	9,889
Federal agency notes	44,106	654	(2)	44,758
Commercial paper	401,324	3,973	(2,826)	402,471
Total short-term investments	\$ 699,387	\$ 5,150	\$ (2,829)	\$ 701,708
Long-term investments:				
Equity investments	\$ 10,161	\$ 16,695	\$ -	\$ 26,856
Federal agency notes	2,105	-	(2)	2,103
Total long-term investments	\$ 12,266	\$ 16,695	\$ (2)	\$ 28,959
1999				
Cash equivalents:				
Commercial paper	\$ 19,505	\$ -	\$ (21)	\$ 19,484
Money market funds	143,000	-	-	143,000
Total cash equivalents	\$ 162,505	\$ -	\$ (21)	\$ 162,484
Short-term investments:				
Money market auction rate preferred stocks	\$ 126,700	\$ -	\$ -	\$ 126,700
Certificates of deposit	27,454	-	(26)	27,428
Corporate notes	30,759	-	(13)	30,746
Federal agency notes	61,541	-	(170)	61,371
Commercial paper	55,250	891	-	56,141
Total short-term investments	\$ 301,704	\$ 891	\$ (209)	\$ 302,386
Long-term investments:				
Equity investments	\$ 6,161	\$ 22,014	\$ -	\$ 28,175
Federal agency notes	1,907	-	(32)	1,875
Total long-term investments	\$ 8,068	\$ 22,014	\$ (32)	\$ 30,050

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company did not sell any available-for-sale securities in 2000. The Company realized a net gain on the sales of available-for-sale securities of \$4.3 million for 1999.

Financial Instruments With Off-Balance-Sheet Risk

As part of the Company's asset and liability management strategy, AMD uses financial instruments with off-balance-sheet risk to manage financial market risk, including interest rate and foreign exchange risk. The notional amounts, carrying amounts and fair values of these instruments as of December 31, 2000 and December 26, 1999 are included in the table below.

(Thousands)	Notional amount	Carrying amount	Fair value
-------------	--------------------	--------------------	---------------

2000

Foreign exchange instruments:

Foreign currency forward contracts	\$207,170	\$ (2,400)	\$ (3,011)
Interest rate swap:			
Reverse cancelable swap	\$400,000	\$ 2,902	\$ 2,902

1999

Foreign exchange instruments:

Foreign currency forward contracts	\$ 58,690	\$ (102)	\$ (533)
------------------------------------	-----------	----------	----------

The Company used prevailing financial market information and price quotes from certain of its counterparty financial institutions as of the respective dates to obtain the estimates of fair value.

Foreign Exchange Forward Contracts

The Company uses foreign exchange forward contracts to hedge the exposure to currency fluctuations on its foreign currency exposures in its foreign sales subsidiaries, liabilities for products purchased from FASL and fixed asset purchase commitments. The hedging transactions in 2000 were denominated in Italian lira, Japanese yen, French franc, German mark, British pound, Dutch guilder, Thai baht, Singapore dollar, Swiss franc and European Union euro. The maturities of these contracts were generally less than twelve months.

Foreign Currency Option Contracts

In 1998, the Company entered into an intercompany no-cost collar arrangement to hedge Dresden Fab 30 project costs denominated in U.S. dollars. The no-cost collars included purchased put option contracts and written call option contracts, the contract rates of which were structured so as to avoid payment of any option premium at the time of purchase. In March 1999, the Company entered into various option positions with several third party banks to neutralize the exposure of the outstanding put and call option contracts. As a result, all the options were offset and canceled. As of December 31, 2000, there were no outstanding foreign currency option contracts.

Interest Rate Swap Contract

The Company is a party to an interest rate swap under which it exchanges, at specified intervals,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the difference between fixed-and floating-interest amounts calculated on an agreed-upon notional principal amount (\$400 million). The swap was originally entered to hedge interest rate exposure on the Company's fixed-rate 11% Senior Secured Notes, a portion of which were retired during 2000 (see Note 7). The swap, which can be cancelled by the counterparty beginning after August 1, 2001, is not designated to hedge specified interest rate risk exposure at December 31, 2000. The Company has the ability to cancel the swap at any time. (See Note 16)

Prior to the debt retirement, the net amount payable or receivable from the interest-rate swap agreement was accrued as an adjustment to interest expense on the 11% Senior Secured Notes. Subsequent to the debt retirement, the interest rate swap was recorded at fair value on the Company's balance sheet with the resulting gain recognized in interest expense. Changes in the fair value of the interest rate swap are recorded through other income. The average fair value of the interest rate swap agreement from the period it ceased to function as a hedge against interest rate risk exposure on the 11% Senior Secured Notes through December 31, 2000 was \$1,990. The gain realized on the interest rate swap over this same period, as reflected in the Company's results of operations for the year ended December 31, 2000, totaled \$1,711. The Company's current credit exposure on the swap is limited to its carrying value at December 31, 2000.

Fair Value of Other Financial Instruments

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

<TABLE>
<CAPTION>

(Thousands)	2000		1999	
	Carrying amount	Fair value	Carrying amount	Fair value
<S>	<C>	<C>	<C>	<C>
Short-term debt:				

Current portion of long-term debt (excluding capital leases)	\$ 41,101	\$ 39,109	\$ 5,127	\$ 4,974
Long-term debt (excluding capital leases)	895,688	814,179	1,189,110	1,123,945

</TABLE>

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

5. CONCENTRATIONS OF CREDIT RISK

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

The Company places its cash equivalents and short-term investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure with any one financial institution. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. The Company's bad debt expenses have not been material.

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

6. INCOME TAXES

The provision (benefit) for income taxes consists of:

<TABLE>

<CAPTION>

(Thousands)	2000 ----	1999 ----	1998 ----
<S>	<C>	<C>	<C>
Current:			
U.S. Federal	\$ 251,849	\$ (7,072)	\$ 1,706
U.S. State and Local	3,599	363	1,772
Foreign National and Local	20,496	14,095	11,505
Total	275,944	7,386	14,983
Deferred:			
U.S. Federal	25,163	134,050	(89,997)
U.S. State and Local	(43,789)	26,178	(16,869)
Foreign National and Local	(450)	(264)	5
Total	(19,076)	159,964	(106,861)
Provision (benefit) for income taxes	\$ 256,868	\$ 167,350	\$ (91,878)

</TABLE>

Tax benefits resulting from the exercise of nonqualified stock options and the disqualifying disposition of shares issued under the Company's stock compensation plans reduced taxes currently payable as shown above by \$158.3

million in 2000. Such benefits were credited to capital in excess of par value in 2000. Tax benefits generated from stock option deductions in 1999 and 1998 did not reduce taxes currently payable in those years due to tax losses, but were included in the \$158.3 million benefit in 2000.

Deferred income taxes reflect the net tax effects of tax carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

assets and liabilities as of December 31, 2000 and December 26, 1999 are as follows:

<TABLE>
<CAPTION>

(Thousands)	2000 ----	1999 ----
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carryovers	\$ 3,934	\$ 231,542
Deferred distributor income	32,848	32,759
Inventory reserves	22,327	27,974
Accrued expenses not currently deductible	46,400	28,149
Federal and state tax credit carryovers	120,938	81,671
Other	82,246	67,686
	-----	-----
Total deferred tax assets	308,693	469,781
Less: valuation allowance	-	(215,391)
	-----	-----
	308,693	254,390
	-----	-----
Deferred tax liabilities:		
Depreciation	(222,355)	(188,879)
Other	(71,797)	(70,046)
	-----	-----
Total deferred tax liabilities	(294,152)	(258,925)
	-----	-----
Net deferred tax assets (liabilities)	\$ 14,541	\$ (4,535)
	=====	=====

</TABLE>

The valuation allowance for deferred tax assets decreased \$215.4 million in 2000 from 1999 primarily due to the realization of tax benefits from operating losses incurred during 1999.

Pre-tax income from foreign operations was approximately \$83 million in 2000 and \$62 million in 1999. Pre-tax loss from foreign operations was approximately \$36 million in 1998.

The federal and state tax credit and net operating loss carryovers expire beginning in the year 2002 through 2020.

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

2000		
(Thousands except percent)	Tax ---	Rate ----
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)/provided	(177,008)	(14.1)
Tax credits	(5,000)	(0.4)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other	2,266	0.2
	<u>\$256,868</u>	<u>20.5%</u>

1999

(Thousands except percent)	Tax	Rate
Statutory federal income tax expense	\$ 25,766	35.0%
State taxes, net of federal benefit	17,252	23.4
Foreign income at other than U.S. rates	(4,952)	(6.7)
Net operating losses not currently benefited	126,684	172.1
Other	2,600	3.5
	<u>\$ 167,350</u>	<u>227.3%</u>

1998

(Thousands except percent)	Tax	Rate
Statutory federal income tax benefit	\$ (72,598)	(35.0)%
State taxes, net of federal benefit	(8,000)	(3.9)
Tax-exempt foreign sales corporation income	(940)	(0.5)
Foreign income at other than U.S. rates	(3,949)	(1.9)
Tax credits	(6,200)	(3.0)
Other	(191)	-
	<u>\$ (91,878)</u>	<u>(44.3)%</u>

The Company has made no provision for U.S. income taxes on approximately \$438 million of cumulative undistributed earnings of certain foreign subsidiaries because it is the Company's intention to permanently invest such earnings. If such earnings were distributed, the Company would accrue additional taxes of approximately \$135 million.

7. DEBT

Significant elements of revolving lines of credit are:

<TABLE>

<CAPTION>

(Thousands except percent)	2000	1999
Committed:		
Three-year secured revolving line of credit	\$ 200,000	\$200,000
Uncommitted:		
Portion of unsecured lines of credit available to foreign subsidiaries	24,419	71,032
Amounts outstanding at year-end under lines of credit:		
Short-term	10,238	4,831
Short-term borrowings:		

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<S>	<C>	<C>
Average daily borrowings	1,056	5,441
Maximum amount outstanding at any month-end	4,720	6,166
Weighted-average interest rate	1.26%	0.76%
Average interest rate on amounts outstanding at year-end	-	0.78%

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

On July 6, 2000, the Company announced a cash tender offer and consent solicitation for the outstanding \$400 million aggregate principal amount of the 11% Senior Secured Notes due 2003. On August 2, 2000, the Company repurchased \$356 million of these notes at a premium of \$36 million. This amount has been recorded as an extraordinary loss of approximately \$23 million net of tax benefit of \$13 million.

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

(Thousands)	2000	1999
<S>	<C>	<C>
6% Convertible Subordinated Notes with interest payable semiannually and principal due in April 2005	\$ 517,140	\$ 517,500
11% Senior Secured Notes with interest payable semiannually and principal due on August 1, 2003, secured by the Fab 25 facility and equipment	43,066	400,000
Term loans under the Dresden Loan Agreement with a weighted-average interest rate of 5.39% and principal due between February 2001 and December 2004, secured by the Dresden Fab 30 facility and equipment	375,226	270,374
Obligations under capital leases	15,874	27,805
Commercial mortgage with principal and 9.88% interest payable in monthly installments through April 2007	1,357	1,532
Other	952,663 344,880	1,217,211 257,697
Less: current portion	\$ 1,297,543 129,570	\$ 1,474,908 47,626
Long-term debt, capital lease obligations and other, less current portion	\$ 1,167,973	\$ 1,427,282

The Company's 1996 syndicated bank loan agreement (the Credit Agreement) provided for a \$150 million three-year secured revolving line of credit and a \$250 million four-year secured term loan. On June 25, 1999, the Company terminated the secured revolving line of credit. On July 13, 1999, the Company replaced the Credit Agreement with a new Loan and Security Agreement (the Loan Agreement) with a consortium of banks led by Bank of America. On July 30, 1999, the Company repaid the outstanding principal balance of \$86 million on the secured term loan and terminated the Credit Agreement. Under the Loan Agreement, 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 levels of domestic cash it holds decline to certain levels, or the amount of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

borrowing under the Loan Agreement rises to certain levels. The Company's

obligations under the Loan Agreement are secured by a pledge of most of its accounts receivable, inventory, general intangibles and the related proceeds. As of December 31, 2000, the Company had not borrowed any funds under the Loan Agreement.

In May 1998, the Company sold \$517.5 million of Convertible Subordinated Notes due May 15, 2005 (Convertible Subordinated Notes) under its \$1 billion shelf registration declared effective by the Securities and Exchange Commission on April 20, 1998. Interest on the Convertible Subordinated Notes accrues at the rate of six percent per annum and is payable semiannually in arrears on May 15 and November 15 of each year, commencing November 15, 1998. The Convertible Subordinated Notes are redeemable at the Company's option on and after May 15, 2001. The Notes are convertible at the option of the holder at any time prior to the close of business on the maturity date, unless previously redeemed or repurchased, into shares of common stock at a conversion price of \$18.50 per share, subject to adjustment in certain circumstances.

Included in other is \$172 million of deferred grants and subsidies related to the Dresden Fab 30 project. See Note 2. Also included in other is a deferred gain of \$29 million as of December 31, 2000, as a result of the sale and leaseback of the Company's corporate marketing, general and administrative facility in 1998. The Company is amortizing the deferred gain ratably over the lease term, which is 20 years. See Note 12. In addition, there is \$143 million in deposits related to long-term Memory products agreements with Cisco Systems and Hewlett-Packard which guarantees shipments of products.

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

<TABLE>
<CAPTION>

(Thousands)	Debt (Principal only)	Capital leases
<S>	<C>	<C>
2001	41,101	9,266
2002	136,630	4,119
2003	93,299	3,374
2004	76,404	903
2005	589,019	-
Beyond 2005	336	-
Total	\$ 936,789	\$ 17,662
Less: amount representing interest	-	(1,788)
Total at present value	\$ 936,789	\$ 15,874

</TABLE>

Obligations under the lease agreements are collateralized by the assets leased. The Company- leased assets totaled approximately \$53 million and \$64 million as of December 31, 2000 and December 26, 1999, respectively. Accumulated amortization of these leased assets was approximately \$39 million as of both December 31, 2000 and December 26, 1999.

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 31, 2000, the Company was in compliance with all restrictive covenants of such debt agreements and all retained earnings were restricted as to payments of cash dividends on common stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under certain circumstances, cross-defaults result under the Convertible Subordinated Notes, the Indenture for the Senior Secured Notes and the Dresden Loan Agreements, which consist of a loan agreement and other related agreements between AMD Saxony and a consortium of banks led by Dresdner Bank AG.

8. INTEREST EXPENSE & INTEREST INCOME AND OTHER, NET

Interest Expense

<TABLE>
<CAPTION>

(Thousands)	2000	1999	1998
<S>	<C>	<C>	<C>
Total interest charges	\$ 86,488	\$ 116,255	\$ 96,206
Less: interest capitalized	(26,451)	(47,002)	(29,712)

Interest expense	\$ 60,037	\$ 69,253	\$ 66,494
------------------	-----------	-----------	-----------

</TABLE>

In 2000, 1999 and 1998, interest expense consisted primarily of interest incurred on the Company's Senior Secured Notes sold in August 1996, interest on the Company's Convertible Subordinated Notes sold in May 1998 and interest on the Company's \$250 million four-year secured term loan, net of interest capitalized primarily related to the facilitization of Fab 25 and Dresden Fab 30.

Interest Income and Other, Net

<TABLE>
<CAPTION>

(Thousands)	2000	1999	1998
Interest income	\$ 59,228	\$ 26,461	\$ 31,478
Other income, net	27,073	5,274	2,729
	\$ 86,301	\$ 31,735	\$ 34,207

</TABLE>

Other income consists of gains from the sales of investments and other assets.

9. SEGMENT REPORTING

For purposes of disclosures required by Statement of Financial Accounting Standards No. 131 (SFAS 131), AMD operated in three reportable segments during 2000: the Core Products, Voice Communications and Foundry Services segments. AMD has previously shown two reportable segments, however, as a result of the sale of Legerity, effective July 31, 2000, the Company re-evaluated its segment reporting structure. Prior period segment information has been restated to conform to the current period presentation. The Core Products segment includes microprocessors, Flash memory devices, Erasable Programmable Read-Only Memory (EPROM) devices, embedded processors, platform products and networking products. The Voice Communications segment includes voice communications products of the Company's former subsidiary, Legerity, until July 31, 2000, the effective date of its sale. The Vantis segment included the programmable logic devices of the Company's former subsidiary, Vantis, until June 15, 1999, the date of its sale. The Foundry Services segment included fees for services provided

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

to Legerity and Vantis. 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).

The following table is a summary of operating income (loss) by segment for 2000, 1999 and 1998:

<TABLE>
<CAPTION>

(Thousands)	2000	1999	1998
Net sales:			
Core Products segment			
External customers	\$ 4,361,398	\$ 2,559,939	\$ 2,269,110
Intersegment sales	-	32,626	156,489
	4,361,398	2,592,565	2,425,600
Voice Communications segment-external customers	140,309	167,760	156,489
Vantis segment-external customers	-	86,701	204,997
Foundry Services segment-external customers	142,480	43,204	-

Elimination of intersegment sales (88,455)	-	(32,626)	

Total net sales 2,542,141	\$ 4,644,187	\$ 2,857,604	\$

Segment operating income (loss):			
Core Products segment (161,722)	\$ 831,749	\$ (342,007)	\$
Voice Communications segment (23,520)	34,987	13,943	
Vantis segment 21,600	-	5,639	
Foundry Services segment*	22,000	1,509	
-			

Total segment operating income (loss) (163,642)	888,736	(320,916)	
Gain on sale of Vantis	-	432,059	
Gain on sale of Legerity	336,899	-	
Litigation settlement (11,500)	-	-	
Interest income and other, net 34,207	86,301	31,735	
Interest expense (66,494)	(60,037)	(69,253)	
Benefit (provision) for income taxes 91,878	(256,868)	(167,350)	
Equity in net income of FASL (Core Products) 11,591	11,039	4,789	
Extraordinary item - debt retirement, net of tax benefit	(23,044)	-	
-			

Net income (loss) (103,960)	\$ 983,026	\$ (88,936)	\$

Total assets:			
Core Products segment			
Assets excluding investment in FASL 3,846,486	\$ 5,506,007	\$ 4,066,346	\$
Investment in FASL 236,820	261,728	273,608	
-			

4,083,306	5,767,735	4,339,954	
Voice Communications segment 34,782	-	37,744	
Vantis segment 134,880	-	-	
Foundry Services segment*	-	-	
-			

Total assets 4,252,968	\$ 5,767,735	\$ 4,377,698	\$

Expenditures for long-lived assets:			
Core Products segment 991,959	\$ 803,065	\$ 611,903	\$
Voice Communications segment 1,720	2,409	1,729	
Vantis segment 2,491	-	6,141	
Foundry Services segment*	-	-	
-			

Total expenditures for long-lived assets 996,170	\$ 805,474	\$ 619,773	\$

Depreciation and amortization expense:			
Core Products segment 462,505	\$ 578,302	\$ 512,203	\$
Voice Communications segment 1,214	768	1,044	

Vantis segment	-	2,273
3,802		
Foundry Services segment*	-	-

Total depreciation and amortization expense	\$ 579,070	\$ 515,520
467,521		

</TABLE>

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following is a summary of operations by entities within geographic areas for the three years ended December 31, 2000:

(Thousands)	2000	1999	1998

Sales to external customers:			
United States	\$ 1,875,408	\$ 1,131,983	\$ 1,148,610
Europe	1,553,808	835,673	730,189
Asia Pacific	1,214,971	889,948	663,342
	-----	-----	-----
	\$ 4,644,187	\$ 2,857,604	\$ 2,542,141
	=====	=====	=====
Long-lived assets:			
United States	\$ 1,220,193	\$ 1,469,412	\$ 1,718,435
Germany	1,064,308	812,773	333,851
Other Europe	3,188	3,847	3,927
Asia Pacific	348,778	237,204	212,255
	-----	-----	-----
	\$ 2,636,467	\$2,523,236	\$ 2,268,468
	=====	=====	=====

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. One of the Company's OEMs accounted for approximately 11, 13 and 12 percent of 2000, 1999 and 1998 net sales, respectively. No distributor accounted for 10 percent or more of net sales in 2000, 1999 and 1998.

10. STOCK-BASED INCENTIVE PLANS

Stock Option Plans. The Company has several stock option plans under which key employees have been granted incentive (ISOs) and nonqualified (NSOs) stock options to purchase the Company's common stock. Generally, options 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 percent 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. As of December 31, 2000, 3,231 employees were eligible and participating in the plans.

In 1998, the Compensation Committee of the Company's Board of Directors approved a stock option repricing program pursuant to which the Company's employees (excluding officers and vice presidents) could elect to cancel certain unexercised stock options in exchange for new stock options with an exercise price of \$9.71, which was equal to 20 percent above the closing price of the Company's common stock on the New York Stock Exchange on September 10, 1998. Approximately four million options were eligible for repricing, of which the Company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

repriced approximately 3.4 million. The Company extended the vesting schedules

and expiration dates of repriced stock options by one year.

The following is a summary of stock option activity and related information (the repriced options are shown as canceled and granted options in 1998 when they were repriced):

	2000		1999		1998	
(Shares in thousands)	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options:						
Outstanding at beginning of year	41,988	\$ 8.37	40,550	\$ 8.36	35,560	\$ 8.54
Granted	21,044	35.07	9,806	8.35	13,110	9.92
Canceled	(3,247)	18.84	(4,710)	10.45	(5,332)	15.59
Exercised	(15,933)	7.01	(3,658)	5.46	(2,788)	4.19
Outstanding at end of year	43,852	20.70	41,988	8.37	40,550	8.36
Exercisable at end of year	14,667	9.64	21,408	7.97	19,394	7.30
Available for grant at beginning of year	6,114		11,306		1,932	
Available for grant at end of year	11,803		6,114		11,306	

The following table summarizes information about options outstanding as of December 31, 2000:

(Shares in thousands)	Options outstanding			Options exercisable		
	Number of shares	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of shares	Weighted-average exercise price	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$0.01 - \$ 8.19	9,259	5.88	\$ 6.58	7,019	\$ 6.60	
8.22 - 9.72	10,458	7.97	8.95	4,263	9.09	
9.75 - 23.75	9,317	7.83	17.28	3,385	16.64	
23.81 - 42.13	4,974	9.52	35.36	-	-	
42.25 - \$45.91	9,844	9.32	42.33	-	-	
\$0.01 - \$45.91	43,852	7.98	20.70	14,667	9.64	

Stock Purchase Plan. The Company has an employee stock purchase plan (ESPP) that allows participating U.S. employees to purchase, through payroll deductions, shares of our common stock at 85 percent of the fair market value at specified dates. As of December 31, 2000, 2,819,019 common shares remained available for issuance under the plan. A summary of stock purchased under the plan is shown below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands except employee participants)	2000	1999	1998
<S>	<C>	<C>	<C>
Aggregate purchase price	\$ 12,388	\$ 13,294	\$ 14,949
Shares purchased	815	861	952
Employee participants	2,490	2,273	3,037

Stock Appreciation Rights. The Company may grant stock appreciation rights (SARs) to key employees under the 1992 stock incentive plan. The number of SARs exercised plus common stock issued under the stock option plans may not exceed the number of shares authorized under the stock option plans. The Company may grant SARs in tandem with outstanding stock options, in tandem with future stock option grants or independently of any stock options. Generally, the terms of SARs granted under the plan are similar to those of options granted under the stock option plans, including exercise prices, exercise dates and expiration dates. To date, the Company has granted only limited SARs, which become exercisable in the event of certain changes in control of AMD.

Restricted Stock Awards. The Company established the 1987 restricted stock award plan under which the Company was authorized to issue up to four million shares of common stock to employees, subject to terms and conditions determined at the discretion of the Board of Directors. The Company entered into agreements to issue 30,000 shares in 1997. The 1987 plan expired in 1997. To date, the Company has canceled agreements covering 384,436 shares without issuance and the Company has issued 4,331,016 shares pursuant to prior agreements. As of December 31, 2000, agreements covering 65,120 shares were outstanding. Outstanding awards vest under varying terms within five years.

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 Exchange Act, subject to terms and conditions determined at the discretion of the Board of Directors. To date, the Company has canceled agreements covering 38,000 shares without issuance and the Company has issued 202,810 shares pursuant to prior agreements. As of December 31, 2000, agreements covering 252,210 shares were outstanding.

Shares Reserved for Issuance. The Company had a total of approximately 86,772,032 shares of common stock reserved as of December 31, 2000 for issuance related to our Convertible Subordinated Notes, the employee stock option plans, the ESPP and the restricted stock awards.

Stock-Based Compensation. The Company uses the intrinsic value method to account for stock-based awards to employees. The Company estimated 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 the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions including the expected stock price volatility. Because our stock-based awards to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our stock-based awards to employees. The fair value

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

<TABLE>
<CAPTION>

	Options			ESPP		
	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Expected life (years)	4.27	3.45	3.33	0.25	0.25	0.25
Expected stock price volatility	72.10 %	68.72 %	64.34 %	87.95 %	67.10 %	76.09 %
Risk-free interest rate	6.55 %	5.48 %	5.42 %	5.95 %	4.77 %	5.18 %

</TABLE>

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

<TABLE>
<CAPTION>

(Thousands except per share amounts)	2000	1999	1998
<S>	<C>	<C>	<C>
Net income/(loss) - as reported	\$ 983,026	\$ (88,936)	\$ (103,960)
Net income/(loss) - pro forma	830,495	(122,497)	(129,721)

Basic net income/(loss) per share - as reported	3.18	(0.30)	(0.36)
Diluted net income/(loss) per share - as reported	2.89	(0.30)	(0.36)
Basic net income/(loss) per share - pro forma	2.68	(0.42)	(0.45)
Diluted net income/(loss) per share - pro forma	2.37	(0.42)	(0.45)

</TABLE>

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 of 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. The Company granted a total of 9,402,228 stock-based awards during 1999 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 \$8.57 and \$4.40, respectively. The Company granted a total of 15,250 stock-based awards during 1999 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 \$11.92 and \$0.04, respectively. The Company granted a total of 387,932 stock-based awards during 1999 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 \$2.76 and \$7.66, respectively.

The weighted-average fair value of stock purchase rights during 2000, 1999 and 1998 was \$5.54 per share, \$2.39 per share and \$3.11 per share, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In May 2000, the Company's Stockholders approved an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of Common Stock from 250,000,000 to 750,000,000 shares.

11. OTHER EMPLOYEE BENEFIT PLANS

Profit Sharing Program. The Company has a profit sharing program to which the Board of Directors authorizes quarterly contributions. Profit sharing contributions were approximately \$103 million in 2000. There were no profit sharing contributions in 1999. Profit sharing contributions were approximately \$5 million in 1998.

Retirement Savings Plan. The Company has a retirement savings plan, commonly known as a 401(k) plan, that allows participating United States employees to contribute from one percent to 15 percent of their pre-tax salary subject to I.R.S. limits. Before December 26, 1999, the Company made a matching contribution calculated at 50 cents on each dollar of the first three percent of participant contributions, to a maximum of 1.5 percent of eligible compensation. After December 26, 1999, the Company revised the contribution rate and contributes 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 \$10 million in 2000, \$5 million in 1999 and \$5 million in 1998.

12. COMMITMENTS

The Company leases certain of its facilities under agreements which 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 \$27 million, \$52 million, and \$54 million in 2000, 1999, and 1998, respectively.

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

(Thousands)	Operating leases	Purchase commitments
2001	\$ 289,065	\$ 45,105
2002	125,520	14,971
2003	45,648	9,890
2004	46,294	9,736
2005	45,839	9,736

Beyond 2005	275,124	9,823

	\$ 827,490	\$ 99,261

The operating lease of the Company's corporate marketing, general and administrative facility expired in December 1998. At the end of the lease term, the Company was obligated to either purchase the facility or to arrange for its sale to a third party with a guarantee of residual value to the seller equal to the option purchase price. In December 1998, the Company arranged for the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

sale of the facility to a third party and leased it back under a new operating lease. The Company has deferred the gain 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.

AMD Saxony has constructed and is installing equipment in Dresden Fab 30. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. In March 1997, AMD Saxony entered into the Dresden Loan Agreements which provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

- . equity, subordinated loans and loan guarantees from 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 Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, the Company has invested \$410 million as of December 31, 2000 in the form of subordinated loans and equity in AMD Saxony (denominated in both deutsche marks and U.S. dollars).

In addition to AMD's support, the consortium of banks referred to above has made available \$750 million in loans (denominated in deutsche marks) to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had \$375 million of such loans outstanding as of December 31, 2000.

Finally, the Federal Republic of Germany and the State of Saxony are supporting the Dresden Fab 30 project, in accordance with the Dresden Loan Agreements, in the form of:

- . Guarantees of 65 percent of AMD Saxony bank debt up to a maximum amount of \$750 million in bank debt;
- . capital investment grants and allowances totaling \$287 million; and
- . interest subsidies totaling \$141 million.

Of these amounts (which are all denominated in deutsche marks), AMD Saxony has received \$284 million in capital investment grants and \$38 million in interest subsidies as of December 31, 2000.

The Dresden Loan Agreements also require that the Company:

- . provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, which will be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;
- . fund shortfalls in government subsidies resulting from any default under the subsidy

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

agreements caused by AMD Saxony or its affiliates;

- . guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreement up to a maximum of \$99 million until the bank loans are paid in full;
- . fund certain contingent obligations including various obligations to fund project cost overruns, if any; and
- . make funds available to AMD Saxony, after completion of Dresden Fab 30, up to approximately \$70 million (denominated in deutsche marks) if AMD Saxony does not meet its fixed charge coverage ratio covenant.

Because the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth herein are subject to change based on applicable conversion rates. At the end of 2000, the exchange rate was approximately 2.20 deutsche marks to one U.S. dollar (which the Company used to calculate the amounts denominated in deutsche marks).

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. 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 2000 was \$11 million, net of income taxes of approximately \$5 million. As of December 31, 2000, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in a decrease of approximately \$14 million to the investment in FASL. The following tables present the significant FASL related party transactions and balances:

<TABLE>
<CAPTION>

Three years ended December 31, 2000
(Thousands)

	2000	1999	1998
<S>	<C>	<C>	<C>
Royalty income	\$ 33,273	\$ 23,214	\$ 21,136
Purchases	381,657	264,344	211,640

December 31, 2000 and December 26, 1999
(Thousands)

	2000	1999
Royalty Receivable	\$ 9,561	\$ 6,601
Accounts Payable	77,503	35,701

</TABLE>

Pursuant to a cross-equity provision between the Company and Fujitsu, the Company purchased and owned 0.5 million shares of Fujitsu Limited common stock as of December 31, 2000. Under the same provision, Fujitsu Limited purchased nine million shares of the Company's common stock, of which one million shares were purchased in 1999.

FASL is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL JV2, in Aizu-Wakamatsu, Japan. In July 2000, FASL broke ground for a third

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fabrication facility, FASL JV3, for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. As of December 31, 2000, the building is complete and the clean room is under construction. Capital expenditures for FASL JV2 and FASL JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL.

FASL capital expenditures in 2001 will continue 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 may be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percent interest in FASL. As of December 31, 2000, the Company had \$38 million in loan guarantees outstanding with respect to these loans. These planned costs are denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of 2000, the exchange rate was approximately 112.52 yen to one U.S. dollar, which the Company used to calculate the amounts denominated in yen.

The following is condensed financial data of FASL:

<TABLE>
<CAPTION>

Three years ended December 31, 2000 (Thousands)

	2000	1999	1998
<S>	<C>	<C>	<C>
Net sales	\$ 733,574	\$ 501,797	\$ 427,140

Gross profit	53,174	20,415	25,432
Operating income	49,645	17,724	20,758
Net income	28,179	9,977	13,104

December 31, 2000 and December 26, 1999 (Thousands)

2000 1999

Current assets	\$ 234,139	\$ 166,391
Non-current assets	786,802	594,031
Current liabilities	482,629	206,532
Non-current liabilities	1,271	1,488

</TABLE>

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 related party relationship between FASL and the Company which are reflected on the Company's consolidated statements of operations.

14. RESTRUCTURING AND OTHER SPECIAL CHARGES

In 1999, restructuring and other special charges were \$38 million. These charges were the result of the Company's efforts to better align its cost structure with the expected revenue growth rates. The restructuring efforts resulted in non-cash charges for the following:

- . closure of a submicron development laboratory facility;
- . write-off of equipment in the Submicron Development Center (SDC);
- . write-off of equipment taken out of service in Fab 25, our integrated circuit (IC) manufacturing facility located in Austin, Texas, related to the 0.35-micron wafer fabrication process; and write-off of capitalized costs related to discontinued system projects.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash charges consisted of:

- . severance and employee benefits for 178 terminated employees in the Information Technology department, the SDC and certain sales offices;
- . costs for leases of vacated and unused sales offices; and
- . costs for the disposal of equipment taken out of service in the SDC.

The restructuring and other special charges for the year ended December 26, 1999, and activity during both 1999 and 2000, are reflected in the table on the next page:

<TABLE>
<CAPTION>

(Thousands)	Severance and employee benefits	Facilities	Equipment	Equipment disposal costs	Discontinued system projects	Total
<S>	<C>	<C>	<C>	<C>	<C>	
1999 provision	\$ 3,024	968	\$ 23,769	4,380	\$ 6,089	\$ 38,230
Cash charges	(3,024)	(56)	-	(1,937)	-	(5,017)
Non-cash charges	-	-	(23,769)	-	(6,089)	(29,858)
Accruals at December 26, 1999	-	912	-	2,443	-	3,355
Cash charges	-	(429)	-	(2,443)	-	(2,872)
Accruals at December 31, 2000	\$ -	\$ 483	\$ -	\$ -	\$ -	\$ 483

</TABLE>

The Company anticipates that the accruals for sales office facilities will be utilized over the period through lease termination in the second quarter of 2002.

15. CONTINGENCIES

I. Litigation

Ellis Investment Co., Ltd., et al v. AMD, et al. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc., et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. On September 5, 2000, the parties stipulated to, and the United

States District Court for the Northern District of California entered, an order whereby all plaintiffs' claims and causes of action against all defendants were voluntarily dismissed without prejudice.

II. Environmental Matters

Clean-Up Orders. Since 1981, the Company has discovered, investigated and begun remediation of three sites where releases from underground chemical tanks at 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 the Company no longer uses) has been identified as a probable carcinogen.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In 1991, the Company received four Final Site Clean-up Requirements Orders from the California Regional Water Quality Control Board, San Francisco Bay Region, relating to the three sites. One of the orders named us 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 us 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.

The three sites in Santa Clara County are on the National Priorities List (Superfund). If the Company fails to satisfy federal compliance requirements, or inadequately performs the compliance measures, the government (1) can bring an action to enforce compliance or (2) can undertake the desired response actions itself and later bring an action to recover its costs, and penalties, which is up to three times the costs of clean-up activities, if appropriate. The statute of limitations has been tolled on the claims of landowners adjacent to the Santa Clara County Superfund sites for causes of action such as negligence, nuisance and trespass.

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

The Company received a notice dated October 14, 1998 from the Environmental Protection Agency (EPA) indicating that the EPA has determined AMD to be a potentially responsible party that arranged for disposal of hazardous substances at a site located in Santa Barbara County, California. The Company is currently in settlement discussions with the EPA and believes that any settlement will not have a material adverse effect on the Company's financial condition or results of operations.

III. Other Matters

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

16. SUBSEQUENT EVENTS (UNAUDITED)

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 shares over a period of time to be determined by management. These repurchases will be made in the open market or

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

in privately negotiated transactions from time to time in compliance with the SEC's Rule 1b-18, subject to market conditions, applicable to legal requirements and other factors. This plan does not obligate the Company to acquire any particular amount of its common stock and the plan may be suspended at any time at the Company's discretion.

Dresden Loan Agreements

In February 2001, the Dresden Loan Agreements were amended to reflect new capacity and increased capital spending plans for Dresden Fab 30. Under the February 2001 amendments, the Company agreed to extend its guaranty of AMD Saxony's obligations and to make available to AMD Saxony revolving loans of up to \$500 million. The Company also expanded its obligation to reimburse AMD Saxony for the cost of producing wafers for the Company and agreed to cancel the cost overrun facility made available by the banks. Under these amendments, the Company has been released from financial covenants limiting capital expenditures and requiring AMD Saxony to achieve capacity and production cost targets by the end of 2001.

The Dresden Loan Agreements, as amended, require that the Company: provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such interim funding to be repaid as AMD Saxony receives the grants or subsidies from the State of Saxony; fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than \$99 million or more than \$273 million, until the bank loans are repaid in full.

Interest Rate Swap

In February 2001, the Company cancelled the interest rate swap agreement with a counterparty under which the difference between fixed- and floating-rate interest amounts calculated on an agreed-upon notional principal amount (\$400 million) were exchanged at specified intervals. The cancellation resulted in a gain to the Company of \$475,000.

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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 31, 2000 and December 26, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 in the period to obtain reasonable assurance about whether the accounting financial statements are free of material misstatements. 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. at December 31, 2000 and December 26, 1999, and the consolidated results of its operations and its cash flows for each of the three years ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

San Jose, California
January 9, 2001

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SUPPLEMENTARY FINANCIAL DATA

<TABLE> <CAPTION> 2000 and 1999 by Quarter (Unaudited) (Thousands except per share and market price amounts)	2000				1999		
	Dec. 31	Oct. 1	July 2	Apr. 2	Dec. 26	Sept. 26	June 27
Mar. 28							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales	\$1,175,172	\$1,206,549	\$1,170,437	\$1,092,029	\$968,710	\$ 662,192	\$ 595,109
\$ 631,593							
Expenses:							

Cost of sales	657,303	639,010	612,567	605,757	581,545	474,119	458,339
450,431							
Research and development	162,087	162,764	155,651	161,297	150,936	157,626	167,278
159,946							
Marketing, general and administrative	160,756	141,931	152,022	144,306	158,803	129,437	124,520
127,310							
Restructuring and other special charges	-	-	-	-	5,700	-	17,514
15,016							

	980,146	943,705	920,240	911,360	896,984	761,182	767,651
752,703							

Operating income (loss)	195,026	262,844	250,197	180,669	71,726	(98,990)	
(172,542) (121,110)							
Gain on sale of Vantis	-	-	-	-	-	-	432,059
-							
Gain on sale of Legerity	-	336,899	-	-	-	-	-
-							
Interest income and other, net	25,449	19,789	19,935	21,128	6,958	6,757	7,252
10,768							
Interest expense	(19,932)	(17,382)	(11,244)	(11,479)	(12,370)	(18,033)	
(18,087) (20,763)							

Income (loss) before income taxes, equity							
in net income of joint venture and							
extraordinary item	200,543	602,150	258,888	190,318	66,314	(110,266)	248,682
(131,105)							
Provision (benefit) for income taxes	30,081	175,009	51,778	-	-	-	172,823
(5,473)							

Income (loss) before equity in net income							
of joint venture and extraordinary item	170,462	427,141	207,110	190,318	66,314	(110,266)	75,859
(125,632)							
Equity in net income (loss) in joint							
venture	7,570	4,406	32	(969)	(1,234)	4,721	4,037
(2,735)							

Income (loss) before extraordinary item	178,032	431,547	207,142	189,349	65,080	(105,545)	79,896
(128,367)							
Extraordinary item - debt retirement,							
net of tax benefit	(64)	(22,980)	-	-	-	-	-
-							

Net income (loss)*	\$ 177,968	\$ 408,567	\$ 207,142	\$ 189,349	\$ 65,080	\$(105,545)	\$ 79,896
\$(128,367)							

Net income (loss) per share**							
Basic - income (loss) before							
extraordinary item	\$ 0.57	\$ 1.38	\$ 0.67	\$ 0.63	\$ 0.22	\$(0.36)	\$ 0.27
\$(0.44)							
Diluted - income (loss) before							
extraordinary item	\$ 0.53	\$ 1.24	\$ 0.60	\$ 0.55	\$ 0.21	\$(0.36)	\$ 0.27
\$(0.44)							

Basic - income (loss) after							
extraordinary item	\$ 0.57	\$ 1.31	\$ 0.67	\$ 0.63	\$ 0.22	\$(0.36)	\$ 0.27
\$(0.44)							
Diluted - income (loss) after							
extraordinary item	\$ 0.53	\$ 1.18	\$ 0.60	\$ 0.55	\$ 0.21	\$(0.36)	\$ 0.27
\$(0.44)							

Shares used in per share calculation							
Basic	313,501	311,943	309,625	302,257	296,506	295,223	294,340
292,238							
Diluted	349,782	352,893	352,946	344,381	308,275	295,223	300,590
292,238							

Common stock market price range																
High	\$	26.00	\$	47.50	\$	47.72	\$	30.00	\$	15.88	\$	11.63	\$	10.82		
Low	\$	15.94	\$	13.56	\$	27.00	\$	25.50	\$	13.91	\$	8.22	\$	8.07	\$	7.38

</TABLE>

* Net income for October 1, 2000 includes a \$212 million gain, net of tax, on the sale of AMD's subsidiary, Legerity, Inc. and a \$23 million extraordinary loss on debt retirement, net of tax; net loss for June 27, 1999 includes a \$259 million gain, net of tax, on the sale of AMD's subsidiary, Vantis Corporation.

**Net income (loss) per common share, basic and diluted, for all prior periods, has been restated to reflect a two-for-one stock split effected in the form of a 100% stock dividend on August 21, 2000.

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FINANCIAL SUMMARY

<TABLE>					
<CAPTION>					
Five Years Ended December 31, 2000					
(Thousands except per share amounts)					
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 4,644,187	\$ 2,857,604	\$ 2,542,141	\$ 2,356,375	\$ 1,953,019
Expenses:					
Cost of sales	2,514,637	1,964,434	1,718,703	1,578,438	1,440,828
Research and development	641,799	635,786	567,402	467,877	400,703
Marketing, general and administrative	599,015	540,070	419,678	400,713	364,798
Restructuring and other special charges	-	38,230	-	-	-
	3,755,451	3,178,520	2,705,783	2,447,028	2,206,329
Operating income (loss)	888,736	(320,916)	(163,642)	(90,653)	(253,310)
Gain on sale of Vantis	-	432,059	-	-	-
Gain on sale of Legerity	336,899	-	-	-	-
Litigation settlement	-	-	(11,500)	-	-
Interest income and other, net	86,301	31,735	34,207	35,097	59,391
Interest expense	(60,037)	(69,253)	(66,494)	(45,276)	(14,837)
Income (loss) before income taxes and equity in net income of joint venture and extraordinary item	1,251,899	73,625	(207,429)	(100,832)	(208,756)
Provision (benefit) for income taxes	256,868	167,350	(91,878)	(55,155)	(85,008)
Income (loss) before equity in net income of joint venture and extraordinary item	995,031	(93,725)	(115,551)	(45,677)	(123,748)
Equity in net income in joint venture	11,039	4,789	11,591	24,587	54,798
Income (loss) before extraordinary item	1,006,070	(88,936)	(103,960)	(21,090)	(68,950)
Extraordinary item - debt retirement, net of tax benefit	(23,044)	-	-	-	-
Net income (loss)	\$ 983,026	\$ (88,936)	\$ (103,960)	\$ (21,090)	(68,950)
Net income (loss) per share					
Basic - before extraordinary item	\$ 3.25	\$ (0.30)	\$ (0.36)	\$ (0.07)	\$ (0.25)
Diluted - before extraordinary item	\$ 2.95	\$ (0.30)	\$ (0.36)	\$ (0.07)	\$ (0.25)
Basic - after extraordinary item	\$ 3.18	\$ (0.30)	\$ (0.36)	\$ (0.07)	\$ (0.25)
Diluted - after extraordinary item	\$ 2.89	\$ (0.30)	\$ (0.36)	\$ (0.07)	\$ (0.25)
Shares used in per share calculation:					
Basic	309,331	294,577	287,796	281,319	280,995
Diluted	350,000	294,577	287,796	281,319	280,995
Long-term debt, capital lease obligations and other, less current portion	\$ 1,167,973	\$ 1,427,282	\$ 1,372,416	\$ 662,689	\$ 444,830
Total assets	\$ 5,767,735	\$ 4,377,698	\$ 4,252,968	\$ 3,515,271	\$ 3,145,283

</TABLE>

The Company's common stock (symbol AMD) is listed on the New York Stock Exchange. The Company has never paid cash dividends on common stock and is

restricted from doing so. Refer to the notes to consolidated financial statements. The number of stockholders of record at January 31, 2001 was 7,754.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, AMD-K6, AMD Athlon, AMD Duron, AMD-760 and 3DNow! are either trademarks or registered trademarks of Advanced

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Micro Devices, Inc. Vantis is a trademark of Vantis Corporation. Legerity is a trademark of Legerity, Inc. Microsoft and Windows are registered trademarks of Microsoft Corporation. Pentium is a registered trademark and Celeron is a trademark of Intel Corporation. Other terms used to identify companies and products may be trademarks of their respective owners.

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ADVANCED MICRO DEVICES, INC.

LIST OF SUBSIDIARIES

Name of Subsidiary -----	State or Jurisdiction in Which Incorporated or Organized -----
Domestic Subsidiaries -----	
Advanced Micro Ltd.	California
AMD Corporation	California
AMD Far East Ltd.	Delaware
AMD International Sales and Service, Ltd.	Delaware
AMD Texas Properties, LLC	Delaware
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
Advanced Micro Devices S.A.	France
Advanced Micro Devices GmbH	Germany
AMD Saxony Holding GmbH	Germany
AMD Saxony Manufacturing 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
Advanced Micro Devices Services Sdn. Bhd.	Malaysia
AMD (Netherlands) B.V. (5)	Netherlands
Advanced Micro Devices (Singapore) Pte. Ltd.	Singapore
AMD Holdings (Singapore) Pte. Ltd. (6)	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.

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 31, 2000, 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 to 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.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ W.J. Sanders III ----- W.J. Sanders III	Chairman of the Board and Chief Executive Officer	3/6/01 -----
/s/ Hector de J Ruiz ----- Hector de J. Ruiz	Director, President and Chief Operating Officer	3/5/01 -----
/s/ Robert J. Rivet ----- Robert J. Rivet	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	3/19/01 -----
/s/ Fredrich Baur ----- Fredrich Baur	Director	3/1/01 -----
/s/ Charles M. Blalack ----- Charles M. Blalack	Director	3/5/01 -----
/s/ R. Gene Brown ----- R. Gene Brown	Director	3/5/01 -----
/s/ Robert Palmer ----- Robert Palmer	Director	3/1/01 -----
/s/ Joe L. Roby ----- Joe L. Roby	Director	3/6/01 -----
/s/ Leonard Silverman ----- Leonard Silverman	Director	3/2/01 -----

</TABLE>