
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 26, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 001-07882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

94088
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of July 30, 2010: 674,570,113

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 26, 2010</u>	<u>June 27, 2009</u>	<u>June 26, 2010</u>	<u>June 27, 2009</u>
	(In millions, except per share amounts)			
Net revenue	\$ 1,653	\$ 1,184	\$ 3,227	\$ 2,361
Cost of sales	915	743	1,748	1,409
Gross margin	738	441	1,479	952
Research and development	371	425	694	869
Marketing, general and administrative	229	247	448	534
Amortization of acquired intangible assets	17	17	34	35
Restructuring charges (reversals)	(4)	1	(4)	61
Operating income (loss)	125	(249)	307	(547)
Interest income	3	6	6	9
Interest expense	(55)	(108)	(104)	(205)
Other income (expense), net	(1)	6	303	100
Income (loss) before equity in net income (loss) of investee and income taxes	72	(345)	512	(643)
Provision (benefit) for income taxes	(5)	(10)	(5)	106
Equity in net income (loss) of investee	(120)	—	(303)	—
Net income (loss)	(43)	(335)	214	(749)
Net (income) loss attributable to noncontrolling interest	—	25	—	31
Class B preferred accretion	—	(20)	—	(28)
Net income (loss) attributable to AMD common stockholders	<u>\$ (43)</u>	<u>\$ (330)</u>	<u>\$ 214</u>	<u>\$ (746)</u>
Net income (loss) attributable to AMD common stockholders per share				
Basic	\$ (0.06)	\$ (0.49)	\$ 0.30	\$ (1.15)
Diluted	\$ (0.06)	\$ (0.49)	\$ 0.29	\$ (1.15)
Shares used in per share calculation				
Basic	709	667	708	647
Diluted	709	667	732	647

See accompanying notes to condensed consolidated financial statements

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

	June 26, 2010	December 26, 2009*
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,084	\$ 1,657
Marketable securities	812	1,019
Total cash and cash equivalents and marketable securities	1,896	2,676
Accounts receivable, net	725	745
Inventories, net	581	567
Deferred income taxes	—	9
Prepaid expenses and other current assets	111	278
Total current assets	3,313	4,275
Property, plant and equipment, net	755	3,809
Investment in GLOBALFOUNDRIES	148	—
Acquisition related intangible assets, net	64	98
Goodwill	323	323
Other assets	352	573
Total assets	\$ 4,955	\$ 9,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 409	\$ 647
Accounts payable to GLOBALFOUNDRIES	213	—
Accrued liabilities	663	795
Deferred income on shipments to distributors	148	138
Other short-term obligations	159	171
Current portion of long-term debt and capital lease obligations	3	308
Other current liabilities	35	151
Total current liabilities	1,630	2,210
Deferred income taxes	1	197
Long-term debt and capital lease obligations, less current portion	2,418	4,252
Other long-term liabilities	154	695
Noncontrolling interest	—	1,076
Commitments and contingencies (see Note 11)		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; 1,500 shares authorized on June 26, 2010 and December 26, 2009; shares issued: 682 on June 26, 2010 and 679 on December 26, 2009; shares outstanding: 674 on June 26, 2010 and 671 on December 26, 2009	7	7
Capital in excess of par value	6,562	6,524
Treasury stock, at cost (8 shares on June 26, 2010 and December 26, 2009)	(99)	(98)
Retained earnings (deficit)	(5,725)	(5,939)
Accumulated other comprehensive income	7	154
Total stockholders' equity	752	648
Total liabilities and stockholders' equity	\$ 4,955	\$ 9,078

* Amounts as of December 26, 2009 were derived from the December 26, 2009 audited financial statements.

See accompanying notes to condensed consolidated financial statements

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

	<u>Six Months Ended</u>	
	<u>June 26,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>
	<u>(In millions)</u>	
Cash flows from operating activities:		
Net income (loss)	\$ 214	\$ (749)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in net income (loss) of investee	303	—
Gain on deconsolidation of GLOBALFOUNDRIES	(325)	—
Depreciation and amortization	200	562
(Benefit) provision for deferred income taxes	(11)	124
Gain on debt redemption	—	(114)
Gain on sale of certain Handheld assets	—	(28)
Amortization of foreign grant and allowance income	(4)	(53)
Net loss (gain) on sale/disposal of property, plant and equipment	—	4
Compensation recognized under employee stock plans	43	40
Non-cash interest expense	17	46
Other than temporary impairment on marketable securities	—	3
Net loss (gain) on sale of marketable securities	(8)	(1)
Other	(2)	13
Changes in operating assets and liabilities (excludes the effects of deconsolidation):		
Accounts receivable	(388)	(295)
Inventories	(93)	163
Prepaid expenses and other current assets	19	(60)
Other assets	14	(10)
Income taxes payable	5	1
Accounts payables, accrued liabilities and other	4	(181)
Accounts payables to GLOBALFOUNDRIES	(63)	—
Net cash used in operating activities	<u>(75)</u>	<u>(535)</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(668)	(439)
Purchases of property, plant and equipment	(79)	(196)
Proceeds on sale of certain Handheld assets	—	58
Cash decrease due to deconsolidation of GLOBALFOUNDRIES	(904)	—
Proceeds from sale and maturity of available-for-sale securities	909	75
Proceeds from sale of trading securities	25	—
Other	18	6
Net cash used in investing activities	<u>(699)</u>	<u>(496)</u>
Cash flows from financing activities:		
Proceeds from issuance of GLOBALFOUNDRIES convertible notes	—	1,009
Proceeds from issuance of GLOBALFOUNDRIES preferred securities	—	1,091
Proceeds from borrowings, net of issuance costs	423	254
Proceeds from issuance of AMD common stock	7	125
Net proceeds from foreign grants and allowances	11	39
Repurchase of noncontrolling interest	—	(158)
Repayments of debt and capital lease obligations	(240)	(184)
Payment on return of noncontrolling interest contributions	—	(67)
Payments under silent partner obligation	—	(32)
Net cash provided by financing activities	<u>201</u>	<u>2,077</u>
Net increase (decrease) in cash and cash equivalents	<u>(573)</u>	<u>1,046</u>
Cash and cash equivalents at beginning of period	<u>1,657</u>	<u>933</u>
Cash and cash equivalents at end of period	<u>\$1,084</u>	<u>\$1,979</u>

See accompanying notes to condensed consolidated financial statements

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. and its subsidiaries (the Company or AMD) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the quarter and six months ended June 26, 2010 shown in this report are not necessarily indicative of results to be expected for the full year ending December 25, 2010. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position and cash flows. All such adjustments are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 26, 2009.

Beginning in the first quarter of 2010, the Company concluded that it is no longer the primary beneficiary of GLOBALFOUNDRIES Inc. (GF). Accordingly, it deconsolidated the results of operations of GF and started accounting for GF under the equity method of accounting. (See Note 2, "GLOBALFOUNDRIES"). Therefore, the users of the Company's financial statements should consider the effect of deconsolidation when comparing the current period to the periods in 2009.

The Company uses a 52 to 53 week fiscal year ending on the last Saturday in December. The quarters and six months ended June 26, 2010 and June 27, 2009 each consisted of 13 and 26 weeks, respectively.

Principles of Consolidation. The condensed consolidated financial statements include the Company's accounts and those of its majority-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated, and amounts pertaining to the non-controlling ownership interests held by third parties in the operating results and financial position of the Company's majority-owned subsidiaries are reported as noncontrolling interest.

NOTE 2. GLOBALFOUNDRIES

In June 2009, the FASB issued an amendment to improve financial reporting by enterprises involved with variable interest entities. This new guidance became effective for the Company beginning the first day of fiscal 2010. Under the new guidance, the investor who is deemed to both (i) have the power to direct the activities of the variable interest entity that most significantly impact the variable interest entity's economic performance and (ii) be exposed to losses and returns will be the primary beneficiary who should then consolidate the variable interest entity. In December 2009, the Company agreed to irrevocably waive rights under the GF Shareholders Agreement with respect to certain matters that require unanimous GF board approval. The Company evaluated whether these governance changes would, pursuant to the new guidance, affect its consolidation of GF. The Company considered the purpose and design of GF, the activities of GF that most significantly affect the economic performance of GF and the concept of "who has the power," as contemplated by the new guidance. Based on the results of this evaluation and in light of the governance changes whereby the Company believes it now only has protective rights relative to the operations of GF, the Company concluded that the other investor in GF, Advanced Technology Investment Company LLC (ATIC), is the party who has the power to direct the activities of GF that most significantly impact GF's performance and is, therefore, the primary beneficiary of GF. Accordingly, effective as of December 27, 2009, the Company deconsolidated GF and started accounting for its ownership interest in GF under the equity method of accounting. Under the deconsolidation accounting guidelines the investor's opening investment is recorded at fair value as of the date of deconsolidation. The difference between this initial fair value of the investment and the net carrying value is recognized as a gain or loss in earnings. During the first quarter of 2010, the Company completed a valuation analysis to determine the initial fair value of its investment in GF. In determining the fair value, the Company used a combination of the income approach and the market approach.

The income approach included the following inputs and assumptions:

- An expectation regarding the growth of GF revenues at a compounded average growth rate;
- A perpetual long-term growth rate; and
- A discount rate that was based on the estimated weighted average cost of capital of GF.

When choosing the appropriate inputs associated with the market approach to apply to GF trailing and projected financial metrics, GF historical and forecasted performance was benchmarked against that of selected comparable companies. The selected multiple ranges were applied to GF trailing and projected financial metrics in order to obtain an indication of the GF business enterprise value on a minority, marketable basis.

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

Each approach resulted in comparable business enterprise value. The Company equally weighed the business enterprise value of GF provided by each method. Based on the results of this valuation, the Company determined the deconsolidation date fair value of its investment in GF to be \$454 million. The Company recognized approximately \$325 million, which is the difference between the fair value as of the deconsolidation date and the net carrying value of its investment, as a non-cash gain in other income (expense), net, in the first quarter of 2010 and six months ended June 26, 2010.

Equity in Net Income (Loss) of Investee

The equity in net income (loss) of investee primarily consists of the Company's proportionate share of GF's losses for the period based on the Company's ownership percentage of GF's Class A Preferred shares, the Company's portion of the non-cash accretion on GF's Class B Preferred shares, the elimination of intercompany profit, reflecting the mark-up on inventory that remains on the Company's condensed consolidated balance sheet at the end of the period, the amortization of basis differences identified from the purchase price allocation process based on the fair value of GF upon deconsolidation, and, to the extent applicable, the gain or loss on dilution of the Company's ownership interest as a result of the capital infusion into GF by ATIC.

On December 18, 2009, ATIC International Investment Company, or ATIC II, an affiliate of ATIC, acquired Chartered Semiconductor Manufacturing Ltd., or Chartered. On December 28, 2009, with the Company's consent, ATIC II, Chartered and GF entered into a Management and Operating Agreement, or MOA, which provides for the joint management and operation of GF and Chartered. Under the applicable accounting rules, as a result of the MOA, GF is required to consolidate Chartered because it is deemed to be the primary beneficiary of Chartered. The numbers in the following table reflect the consolidated results of GF. For the purposes of the Company's application of the equity method of accounting, the Company records its share of the GF results excluding the results of Chartered because GF does not have an equity ownership interest in Chartered.

As of June 26, 2010, the Company's ownership interest in GF Class A Preferred shares was approximately 79%, and the carrying value of the Company's investment in GF was \$148 million. Summarized financial information for GF is as follows:

<u>Statement of Operations</u>	<u>Quarter Ended</u> <u>June 26, 2010</u>	(In millions)	<u>Six Months Ended</u> <u>June 26, 2010</u>
Revenue	\$ 854		\$ 1,632
Gross profit	\$ 219		\$ 381
Income (loss) from continuing operations before income taxes	\$ (22)		\$ (125)
Net income (loss)	\$ (20)		\$ (107)
Non-controlling interest	\$ (84)		\$ (122)
Net income (loss) attributable to Class A Preferred shareholders	\$ (104)		\$ (229)

During the second quarter of 2010, pursuant to a funding request from GF in accordance with the Funding Agreement between the Company, GF and ATIC dated as of March 2, 2009, ATIC contributed a total of \$327 million of cash to GF in exchange for GF securities consisting of 79,272 Class A Preferred shares and 317,091 Class B Preferred shares. The Company did not participate in these fundings. As a result, its ownership interest in GF Class A Preferred shares ownership decreased from approximately 83% as of December 27, 2009, to approximately 79% as of June 26, 2010, resulting in an aggregate gain on the issuance of new GF shares of approximately \$6 million, which was recorded as part of the equity in net income (loss) of investee line item on the condensed consolidated statement of operations. If there is further dilution in the Company's ownership interest in GF in subsequent periods, the Company will record a gain or loss on such changes, the measurement of which will depend on the fair value of the GF Class A preferred shares. The Company cannot currently quantify its maximum exposure to future losses of GF.

Following the deconsolidation, GF is a related party of the Company. The Company and GF are parties to a wafer supply agreement, which, among other things, governs the terms by which the Company purchases products manufactured by GF, subject to minimum purchase obligations. The Company currently pays GF for wafers on a cost-plus basis, which it believes represents market price. The wafer supply agreement terminates no later than February 2024. The Company's total purchases from GF related to wafer manufacturing and research and development activities during the second quarter of 2010 and for the six months ended June 26, 2010, amounted to approximately \$336 million and \$665 million, respectively.

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 3: Supplemental Balance Sheet Information*Accounts Receivable*

	<u>June 26, 2010</u>	<u>December 26, 2009</u>
	(In millions)	
Accounts receivable	\$ 730	\$ 752
Allowance for doubtful accounts	(5)	(7)
Total accounts receivable, net	<u>\$ 725</u>	<u>\$ 745</u>

Inventories

	<u>June 26, 2010</u>	<u>December 26, 2009</u>
	(In millions)	
Raw materials	\$ 35	\$ 34
Work in process	364	359
Finished goods	182	174
Total inventories, net	<u>\$ 581</u>	<u>\$ 567</u>

Property, Plant and Equipment

	<u>June 26, 2010</u>	<u>December 26, 2009</u>
	(In millions)	
Land and land improvements	\$ 31	\$ 58
Buildings and leasehold improvements	531	2,015
Equipment	1,502	5,023
Construction in progress	24	399
	<u>2,088</u>	<u>7,495</u>
Accumulated depreciation	(1,333)	(3,686)
Total property, plant and equipment, net	<u>\$ 755</u>	<u>\$ 3,809</u>

Accrued Liabilities

	<u>June 26, 2010</u>	<u>December 26, 2009</u>
	(In millions)	
Accrued compensation and benefits	\$ 204	\$ 179
Marketing program and advertising expenses	168	180
Software technology and licenses payable	55	75
Interest payable	26	43
Other	210	318
Total accrued liabilities	<u>\$ 663</u>	<u>\$ 795</u>

Noncontrolling Interest

	<u>(In millions)</u>
Balance as of December 26, 2009	\$ 1,076
Deconsolidation of GF	(1,076)
Balance as of June 26, 2010	<u>\$ —</u>

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 4. Net Income (Loss) Attributable to AMD Common Stockholders Per Share

Basic net income (loss) attributable to AMD common stockholders per share is computed using the weighted-average number of common shares outstanding and shares issuable upon exercise of warrants issued by the Company to West Coast Hitech L.P., in connection with the GF transaction. The warrants became exercisable for a nominal consideration upon the July 24, 2009 public ground-breaking of the GF manufacturing facility in New York. Accordingly, the 35 million shares of AMD common stock issuable upon the exercise of the warrants have been included in the weighted-average basic per share computations from that date forward.

Diluted net income (loss) attributable to AMD common stockholders per share is computed using the weighted-average number of common shares outstanding plus any dilutive potential common shares outstanding. Potential common shares include stock options, restricted stock awards and shares issuable upon the conversion of convertible debt. The following table sets forth the components of basic and diluted income (loss) attributable to AMD common stockholders per share:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 26,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>	<u>June 26,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>
	(In millions, except per share amounts)			
Numerator:				
Numerator for basic and diluted income (loss) attributable to AMD common stockholders	\$ (43)	\$ (330)	\$ 214	\$ (746)
Denominator - weighted average shares				
Denominator for basic net income (loss) attributable to AMD common stockholders per share	709	667	708	647
Effect of dilutive potential common shares:				
Employee stock options and awards	—	—	24	—
Denominator for diluted net income (loss) attributable to AMD common stockholders per share	<u>709</u>	<u>667</u>	<u>732</u>	<u>647</u>
Net income (loss) attributable to AMD common stockholders per common share:				
Basic	\$ (0.06)	\$ (0.49)	\$ 0.30	\$ (1.15)
Diluted	\$ (0.06)	\$ (0.49)	\$ 0.29	\$ (1.15)

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

Potential common shares (i) from outstanding equity incentive awards totaling approximately 63 million and (ii) issuable under the Company's 5.75% Convertible Senior Notes due 2012 (5.75% Notes) totaling 24 million for the second quarter ended June 26, 2010 were not included in the net income (loss) attributable to AMD common stockholders per share calculations because their inclusion would have been anti-dilutive.

Potential common shares (i) from outstanding equity incentive awards totaling approximately 37 million and (ii) issuable under the Company's 5.75% Notes totaling 24 million for the six months ended June 26, 2010 were not included in the net income (loss) attributable to AMD common stockholders per share calculations because their inclusion would have been anti-dilutive.

Potential common shares (i) from outstanding equity incentive awards totaling approximately 69 million and (ii) issuable under the Company's 5.75% Notes totaling 75 million for the second quarter ended June 27, 2009 were not included in the net income (loss) attributable to AMD common stockholders per share calculation because their inclusion would have been anti-dilutive.

Potential common shares (i) from outstanding equity incentive awards totaling approximately 68 million and (ii) issuable under the Company's 5.75% Notes totaling 75 million for six months ended June 27, 2009 were not included in the net income (loss) attributable to AMD common stockholders per share calculation because their inclusion would have been anti-dilutive.

NOTE 5. Comprehensive Income (Loss)

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

	Quarter Ended		Six Months Ended	
	June 26, 2010	June 27, 2009	June 26, 2010	June 27, 2009
	(In millions)			
Net income (loss) attributable to AMD common stockholders	\$ (43)	\$ (330)	\$ 214	\$ (746)
Net change in unrealized gains (losses) on available-for-sale securities	(13)	6	(5)	6
Net change in unrealized gains (losses) on cash flow hedges	(2)	4	(1)	9
Net change in minimum pension liability	—	—	—	4
Cumulative translation adjustments	—	—	(141)	—
Other comprehensive income (loss)	(15)	10	(147)	19
Total comprehensive income (loss)	<u>\$ (58)</u>	<u>\$ (320)</u>	<u>\$ 67</u>	<u>\$ (727)</u>

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 6: Financial Instruments

Available-for-sale securities held by the Company as of June 26, 2010 and December 26, 2009 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	(In millions)			
June 26, 2010				
Classified as cash equivalents:				
Money market funds	\$ 941	\$ —	\$ —	\$ 941
Commercial paper	1	—	—	1
Total classified as cash equivalents	<u>\$ 942</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 942</u>
Classified as marketable securities:				
Commercial paper	\$ 536	\$ —	\$ —	\$ 536
Time deposits	150	—	—	150
Equity securities	12	6	—	18
Auction rate securities	70	3	—	73
Total classified as marketable securities	<u>\$ 768</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 777</u>
Classified as other assets:				
Money market funds	\$ 29	\$ —	\$ —	\$ 29
Commercial paper	1	—	—	1
Equity securities	1	—	—	1
Total classified as other assets	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31</u>
Classified as prepaid expenses and other current assets - Equity securities	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 4</u>
December 26, 2009				
Classified as cash equivalents:				
Money market funds	\$ 1,081	\$ —	\$ —	\$1,081
Time deposits	348	—	—	348
Commercial paper	31	—	—	31
Total classified as cash equivalents	<u>\$ 1,460</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,460</u>
Classified as marketable securities:				
Commercial paper	\$ 789	\$ —	\$ —	\$ 789
Time deposits	100	—	—	100
Equity securities	23	6	—	29
Auction rate securities	31	3	—	34
Total classified as marketable securities	<u>\$ 943</u>	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 952</u>
Classified as other assets:				
Auction rate securities	\$ 53	\$ 5	\$ —	\$ 58
Money market funds	44	—	—	44
Commercial paper	1	—	—	1
Equity securities	1	—	—	1
Total classified as other assets	<u>\$ 99</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 104</u>
Classified as prepaid expenses and other current assets - Equity securities	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 4</u>

At June 26, 2010 and December 26, 2009, the Company had approximately \$30 million and \$45 million, respectively, of available-for-sale investment in money market funds and commercial paper used as collateral for long-term workers' compensation, leased buildings and letter of credit deposits, which was included in other assets on the Company's condensed consolidated balance sheets. The December 26, 2009 balance included \$15 million of collateral for foreign exchange hedging activities. The Company is restricted from accessing these deposits.

All contractual maturities of the Company's available-for-sale marketable debt securities at June 26, 2010 were within one year except those for auction rate securities (ARS). The Company's ARS have stated maturities ranging from January 2025 to December 2050. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties. During the second quarter of 2010, the issuers tendered \$15 million par value of non-UBS student loan ARS for \$14 million. The net carrying amount of these ARS was \$13 million, and the Company recorded a gain of approximately \$1 million in other income (expense), net. Given these tender activities and the fact that the secondary market for these securities has become more liquid and with pricing generally similar to the Company's carrying value, the Company reclassified the remaining holdings of its non-UBS student loan ARS with carrying value of \$39 million (par value \$44 million) from other assets to marketable securities during the second quarter of 2010. The Company has the intent and believes it has the ability to sell these securities within the next 12 months.

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During the second quarter of 2010, the Company sold a portion of its marketable equity securities for \$18 million and recorded a gain of \$7 million in other income (expense), net.

The Company realized net gains of \$8 million from the sale of available-for-sale securities during the second quarter and six months ended June 26, 2010. The Company realized net gains of \$1 million from sale of available-for-sale securities during the second quarter and six months ended June 27, 2009.

In addition to the ARS included in the table above, the Company also had trading securities, consisting of ARS subject to a UBS put option, with carrying values of \$35 million (par value \$36 million) and \$67 million (par value \$69 million) included in marketable securities as of June 26, 2010 and December 26, 2009, respectively. UBS redeemed at par \$25 million and \$33 million of these ARS during the second quarter and six months ended June 26, 2010, respectively. Redemption of the Company's UBS ARS during the second quarter and six months ended June 27, 2009 was minimal.

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Fair Value Measurements

Financial instruments measured and recorded at fair value on a recurring basis are summarized below:

	<u>Total</u>	<u>Fair value measurement at reporting dates using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
(In millions)				
June 26, 2010				
Assets				
Classified as cash equivalents:				
Money market funds	\$ 941	\$ 941	\$ —	\$ —
Commercial paper	1	—	1	—
Total classified as cash equivalents	<u>\$ 942</u>	<u>\$ 941</u>	<u>\$ 1</u>	<u>\$ —</u>
Classified as marketable securities:				
Commercial paper	\$ 536	\$ —	\$ 536	\$ —
Time deposits	150	—	150	—
Equity securities	18	18	—	—
Auction rate securities	108	—	—	108
Total classified as marketable securities	<u>\$ 812</u>	<u>\$ 18</u>	<u>\$ 686</u>	<u>\$ 108</u>
Classified as other assets:				
Money market funds	\$ 29	\$ 29	\$ —	\$ —
Commercial paper	1	—	1	—
Equity securities	1	1	—	—
Total classified as other assets	<u>\$ 31</u>	<u>\$ 30</u>	<u>\$ 1</u>	<u>\$ —</u>
Classified as prepaid expenses and other current assets:				
Equity securities	\$ 4	\$ 4	\$ —	\$ —
UBS put option	1	—	—	1
Total classified as prepaid expenses and other current assets	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 1</u>
Total assets measured at fair value	<u>\$1,790</u>	<u>\$ 993</u>	<u>\$ 688</u>	<u>\$ 109</u>
Liabilities				
Classified as accrued liabilities - Foreign currency derivative contracts	(8)	—	(8)	—
Total liabilities measured at fair value	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ —</u>

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December 26, 2009				
Classified as cash equivalents:				
Money market funds	\$ 1,081	\$ 1,081	\$ —	\$—
Time deposits	348	—	348	—
Commercial paper	31	—	31	—
Total classified as cash equivalents	<u>\$1,460</u>	<u>\$1,081</u>	<u>\$ 379</u>	<u>\$—</u>
Classified as marketable securities:				
Commercial paper	\$ 789	\$ —	\$ 789	\$—
Time deposits	100	—	100	—
Auction rate securities	101	—	—	101
Equity securities	29	29	—	—
Total classified as marketable securities	<u>\$1,019</u>	<u>\$ 29</u>	<u>\$ 889</u>	<u>\$101</u>
Classified as other assets:				
Auction rate securities	\$ 58	\$ —	\$ —	\$ 58
Money market funds	44	44	—	—
Commercial paper	1	—	1	—
Equity securities	1	1	—	—
Total classified as other assets	<u>\$ 104</u>	<u>\$ 45</u>	<u>\$ 1</u>	<u>\$ 58</u>
Classified as prepaid expenses and other current assets:				
Equity securities	\$ 4	\$ 4	\$ —	\$—
UBS put option	2	—	—	2
Total classified as prepaid expenses and other current assets	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 2</u>
Total assets measured at fair value	<u>\$2,589</u>	<u>\$1,159</u>	<u>\$1,269</u>	<u>\$161</u>
Liabilities				
Classified as accrued liabilities - Foreign currency derivative contracts	(6)	—	(6)	—
Total liabilities measured at fair value	<u>\$ (6)</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>\$—</u>

The Company carries financial instruments, except for its long term debt, at fair value. Investments in money market mutual funds, commercial paper, time deposits, marketable equity securities and foreign currency derivative contracts are primarily classified within Level 1 or Level 2. This is because such financial instruments are valued primarily using quoted market prices or alternative pricing sources and models utilizing market observable inputs, as provided to the Company by its brokers. The Company's Level

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assets are valued using quoted prices for identical instruments in active markets. The Company's Level 2 assets, all of which mature within one year, are valued using broker reports that utilize quoted market prices for similar instruments. The ARS investments and the UBS put option are classified within Level 3 because they are valued using a discounted cash flow model. Some of the inputs to this model are unobservable in the market and are significant. The Company's foreign currency derivative contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

The continuing uncertainties in the credit markets have affected all of the Company's ARS investments and auctions for these securities have failed to settle on their respective settlement dates. As a result, reliable Level 1 or Level 2 pricing is not available for these ARS. In light of these developments, the Company performs its own discounted cash flow analysis to value these ARS. As of June 26, 2010 and December 26, 2009, the Company's significant inputs and assumptions used in the discounted cash flow model to determine the fair value of its ARS, include interest rate, liquidity and credit discounts and the estimated life of the ARS investments. The outcomes of these activities indicated that the fair value of the ARS decreased by \$4 million as of June 26, 2010, when compared with the fair value as of December 26, 2009.

In October 2008, UBS AG (UBS) offered to repurchase all of the Company's ARS that were purchased from UBS prior to February 13, 2008. The Company accepted this offer. From June 30, 2010 through July 2, 2012, the Company has the right, but not the obligation, to sell, at par, these ARS to UBS. The Company has elected to account for the put option at fair value as permitted by the fair value accounting guidance for such financial instruments. Accordingly, the Company initially recorded the put option at its estimated fair value, with the corresponding gain recorded in earnings. The put option is marked to market each quarter, with changes in its estimated fair value recorded in earnings. The Company recorded a loss of \$1 million during the second quarter and six months ended June 26, 2010 to reflect the change in fair value of the UBS put option. The Company recorded losses of \$5 million and \$6 million during the second quarter and six months ended June, 27, 2009, respectively, to reflect the change in fair value of the UBS put option. The Company's significant inputs and assumptions used in the discounted cash flow model to determine the fair value of this put option, as of June 26, 2010 and December 26, 2009, included interest rate, credit discount and the estimated life of the put option.

The Company recorded a gain of \$1 million during the quarter and six months ended June 26, 2010 to reflect the change in fair value of ARS that are classified as trading securities. The Company recorded gains of \$5 million and \$6 million during the second quarter and six months ended June 27, 2009, respectively, to reflect the change in the fair value of ARS that are classified as trading securities. The Company expects that while it holds both ARS purchased from UBS and the related put option, any changes in fair value of the ARS will be substantially offset by changes in the fair value of the put option. As of June 26, 2010, the Company classified its investments in ARS purchased from UBS totaling a carrying value of \$35 million (par value \$36 million) as current assets because the Company has the right to exercise its put option and receive the proceeds from these ARS within the next 12 months. As indicated above, the UBS put option became exercisable on June 30, 2010 and the Company has not yet exercised such option. However, subsequent to the second quarter ended June 26, 2010, UBS had redeemed \$29 million of these ARS at par.

The roll-forward of the financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

	Quarter Ended			
	June 26, 2010		June 27, 2009	
	Auction Rate Securities	UBS Put Option	Auction Rate Securities	UBS Put Option
	(In millions)			
Beginning balance	\$ 150	\$ 2	\$ 158	\$ 10
Redemption at par	(40)	—	(2)	—
Change in fair value included in net income (loss)	1	(1)	6	(5)
Change in fair value included in other comprehensive income (loss)	(3)	—	5	—
Ending balance	<u>\$ 108</u>	<u>\$ 1</u>	<u>\$ 167</u>	<u>\$ 5</u>

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	Six Months Ended			
	June 26, 2010		June 27, 2009	
	Auction Rate Securities	UBS Put Option	Auction Rate Securities	UBS Put Option
	(In millions)			
Beginning balance	\$ 159	\$ 2	\$ 160	\$ 11
Redemption at par	(48)	—	(5)	—
Change in fair value included in net income (loss)	1	(1)	6	(6)
Change in fair value included in other comprehensive income (loss)	(4)	—	6	—
Ending balance	<u>\$ 108</u>	<u>\$ 1</u>	<u>\$ 167</u>	<u>\$ 5</u>

Financial Instruments Not Recorded at Fair Value on a Recurring Basis. Financial instruments that are not recorded at fair value are measured at fair value quarterly for disclosure purposes. The carrying amounts and estimated fair values of financial instruments not recorded at fair value are as follows:

	June 26, 2010		December 26, 2009	
	Carrying amount	Estimated Fair Value	Carrying amount	Estimated Fair Value
	(In millions)			
Long-term debt (excluding capital leases)	\$ 2,390	\$ 2,497	\$ 4,303	\$ 4,046

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's accounts receivable, accounts payable and other short-term obligations approximate their carrying value based on existing payment terms.

NOTE 7. Income Taxes

The Company recorded an income tax benefit of \$5 million in the second quarter of 2010 and an income tax benefit of \$10 million in the second quarter of 2009. For the six months ended June 26, 2010, the Company recorded an income tax benefit of \$5 million. For the six months ended June 27, 2009, the Company recorded an income tax provision of \$106 million.

In the second quarter of 2010, the income tax benefit of \$5 million was due to the reversal of \$8 million of unrecognized tax benefits, offset by foreign taxes in profitable locations. In the second quarter of 2009, the Company recorded an income tax benefit of \$10 million that consisted of discrete tax benefits of \$7 million and the tax effects of items credited directly to other comprehensive income (OCI) of \$10 million, offset by foreign taxes in profitable locations of \$7 million. The income tax provision of \$106 million recorded in the first six months of 2009 was primarily due to a one-time loss of deferred tax assets for German net operating loss carryovers upon the transfer of the Company's ownership interests in its German subsidiaries to GF and foreign taxes in profitable locations, offset by discrete tax benefits and the tax effects of items credited directly to OCI.

As of June 26, 2010, substantially all of the Company's U.S. deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at June 26, 2010, in management's judgment, is not more likely than not to be achieved.

The Company's gross unrecognized tax benefits decreased by \$44 million during the quarter ended June 26, 2010 as a result of the expiration of certain statutes of limitation and audit resolutions in both U.S. and foreign jurisdictions. The total gross unrecognized tax benefits as of June 26, 2010 were approximately \$124 million. As a result, the Company has now recognized \$90 million of current and long-term deferred tax assets, previously under a valuation allowance, with \$99 million of liabilities for unrecognized tax benefits as of June 26, 2010. The net impact on the effective tax rate for the decrease in gross unrecognized tax benefits in the second quarter of 2010 was \$2 million.

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During the 12 months beginning June 27, 2010, the Company believes that it is reasonably possible that it will reduce its unrecognized tax benefits by approximately \$96 million as a result of the expiration of certain statutes of limitation and other potential audit resolutions. The Company does not believe it is reasonably possible that other unrecognized tax benefits will materially change in the next 12 months. However, the resolution and/or closure on open audits are highly uncertain.

During the second quarter of 2010, the IRS completed the audit of AMD's U.S. Federal tax returns for the years ending 2004 to 2006, inclusive.

NOTE 8. Debt

During the first six months of 2010, the Company repurchased \$216 million (\$10 million in the first quarter, \$206 million in the second quarter) in principal value of its 6.00% convertible Senior Notes due 2015 (the 6.00% Notes) in open market transactions for approximately \$209 million.

The Company's accounting for its 6.00% Notes reflects the guidance on accounting for convertible debt that may be fully or partially settled in cash upon conversion. The proceeds used for the repurchase of the 6.00% Notes were allocated between the liability and equity in a manner that reflects interest expense at the market interest rate for similar nonconvertible debt as of the repurchase dates of the 6.00% Notes. The equity component is included in the paid-in-capital portion of stockholders' equity on the Company's condensed consolidated balance sheet.

For the repurchase of its 6.00% Notes in the first six months of 2010, the Company allocated \$12 million of the \$209 million cash payment to the equity component and reduced the carrying amount of the debt by \$197 million. The Company recognized a \$0.1 million net loss on the repurchases. As of June 26, 2010, the remaining carrying amount of the 6.00% Notes was approximately \$1,454 million, net of debt discount of \$126 million.

NOTE 9. Segment Reporting

Management, including the Chief Operating Decision Maker, who is the Company's chief executive officer, reviews and assesses operating performance using segment net revenues and operating income (loss) before interest, other income (expense), equity in net income (loss) of investee and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

During the year ended December 26, 2009, the Company had the following three reportable operating segments:

- the Computing Solutions segment, which included microprocessors, chipsets and embedded processors and related revenue;
- the Graphics segment, which included graphics, video and multimedia products and related revenue as well as revenue received in connection with the development and sale of game console systems that incorporate the Company's graphics technology; and
- the Foundry segment, which included the operating results attributable to front end wafer manufacturing operations and related activities, including the operating results of GF, from March 2, 2009 to December 26, 2009.

In addition to these reportable segments, the Company had an All Other category, which was not a reportable segment. This category included certain expenses and credits that were not allocated to any of the operating segments because management did not consider these expenses and credits in evaluating the performance of the operating segments. These expenses were non-Foundry segment related expenses and included employee stock-based compensation expense, restructuring charges and amortization of acquired intangible assets. The results of the Handheld business unit were also reported in the All Other category because the operating results of this business unit were not material. The Handheld business unit consisted of the AMD Imageon™ media processor brand and handheld products that were part of the Handheld business unit prior to the sale of certain graphics and multimedia technology assets and intellectual property to Qualcomm Incorporated during the first quarter of 2009. The Company also had an Intersegment Eliminations category, which was also not a reportable segment. This category included intersegment eliminations for revenue, cost of sales and profits on inventory related to transactions between the Computing Solutions segment and the Foundry segment.

Beginning in the first quarter of 2010, as a result of the deconsolidation of GF, the Company no longer has a Foundry segment or an Intersegment Eliminations category. Therefore, the Company started using the following two reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors and related revenue; and

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- the Graphics segment, which includes graphics, video and multimedia products and related revenue as well as revenue received in connection with the development and sale of game console systems that incorporate the Company's graphics technology.

In addition, beginning in the first quarter of 2010, the Company started accounting for the embedded graphics business under the Computing Solutions segment. Previously, operating results related to this business were recorded as part of the Graphics segment. Information for prior periods has been recast to reflect this change.

The Company continues to have an All Other category, as described above. The Company continues to report the results of the Handheld business unit in the All Other category because it expects that the operating results of this business unit will continue to be immaterial.

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

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 26, 2010</u>	<u>June 27, 2009</u>	<u>June 26, 2010</u>	<u>June 27, 2009</u>
	(In millions)			
Net revenue:				
Computing Solutions	\$ 1,212	\$ 926	\$ 2,372	\$ 1,868
Graphics	440	235	849	453
All Other	1	23	6	40
Foundry	—	253	—	536
Intersegment Eliminations	—	(253)	—	(536)
Total net revenue	<u>\$ 1,653</u>	<u>\$ 1,184</u>	<u>\$ 3,227</u>	<u>\$ 2,361</u>
Operating income (loss):				
Computing Solutions	\$ 128	\$ (67)	\$ 274	\$ (101)
Graphics	33	(17)	80	(17)
All Other	(36)	(41)	(47)	(165)
Foundry	—	(101)	—	(233)
Intersegment Eliminations	—	(23)	—	(31)
Total operating income (loss)	<u>\$ 125</u>	<u>\$ (249)</u>	<u>\$ 307</u>	<u>\$ (547)</u>

NOTE 10. Stock-Based Incentive Compensation Plans

The following table summarizes stock-based compensation expense related to employee stock options and restricted stock units, which was allocated in the Company's condensed consolidated statements of operations as follows:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 26, 2010</u>	<u>June 27, 2009</u>	<u>June 26, 2010</u>	<u>June 27, 2009</u>
	(In millions)			
Cost of sales	\$ 1	\$ 1	\$ 2	\$ 2
Research and development	11	10	21	19
Marketing, general, and administrative	11	7	20	18
Total stock-based compensation expense	23	18	43	39
Tax benefit	—	—	—	—
Stock-based compensation expense, net of tax	<u>\$ 23</u>	<u>\$ 18</u>	<u>\$ 43</u>	<u>\$ 39</u>

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Stock Options

The weighted-average assumptions that the Company applied in the lattice-binomial model that the Company uses to value employee stock options are as follows:

	Quarter Ended		Six Months Ended	
	June 26, 2010	June 27, 2009	June 26, 2010	June 27, 2009
Expected volatility	57.96%	75.14%	56.45%	78.92%
Risk-free interest rate	1.58%	1.53%	1.64%	1.34%
Expected dividends	0%	0%	0%	0%
Expected life (in years)	3.71	3.67	3.71	3.67

For the quarters ended June 26, 2010 and June 27, 2009, the Company granted 1,326,912 and 1,674,629 employee stock options, respectively, with average estimated grant date fair values of \$3.80 and \$2.07, respectively. For the six months ended June 26, 2010 and June 27, 2009, the Company granted 2,830,241 and 2,778,663 employee stock options, respectively, with average estimated grant date fair values of \$3.50 and \$1.79, respectively.

Restricted Stock Units and Awards

For the quarters ended June 26, 2010 and June 27, 2009, the Company granted 9,864,566 and 15,549,456 restricted stock units, respectively, with an average grant date fair value of \$8.79 and \$4.01, respectively. For the six months ended June 26, 2010 and June 27, 2009, the Company granted 10,438,346 and 15,749,106 restricted stock units, respectively, with an average grant date fair value of \$8.74 and \$3.99, respectively.

NOTE 11. Commitments and Contingencies**Off-Balance Sheet Arrangements****Guarantees of Indebtedness Not Recorded on the Company's Condensed Consolidated Balance Sheet****Fab 36 Guarantee**

In connection with the consummation of the GF manufacturing joint venture transaction on March 2, 2009, the terms of the 700 million euro Term Loan Facility Agreement among AMD Fab 36 Limited Liability Company & Co. KG, as borrower, and a consortium of banks led by Dresdner Bank AG, as lenders, and other related agreements (collectively, the Fab 36 Loan Agreements) were amended to allow for the transfer of our former 300-millimeter wafer fabrication facility and its affiliated companies to GF. In addition, the Company also amended the terms of the related guarantee agreement such that the Company and GF are joint guarantors of the borrower's obligations to the lenders under the Fab 36 Loan Agreements. However, if the Company is called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify the Company for the full amount of such payments. As of June 26, 2010, the total amount outstanding under the Fab 36 Term Loan was \$321 million, and the rate of interest on the loan was 2.3%. This loan is repayable by GF in quarterly installments which terminate in March 2011. As of June 26, 2010, the Company was in compliance with its covenants under the guarantee agreement.

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. AMTC provides advanced photomasks for use in manufacturing the Company's microprocessors. As of December 26, 2009, the joint venture limited partners were AMD and Toppan Printing Co., Ltd. Qimonda AG, who had been one of the limited partners in these joint ventures, was expelled in March 2009 because of its commencement of insolvency proceeding in January 2009.

In January 2010, the Company signed binding agreements to transfer its limited partnership interests in the AMTC and BAC to GF. On March 31, 2010, the Company's limited partnership interests in AMTC and BAC were effectively transferred to an affiliate of GF. Concurrent with the transfer, the BAC term loan and the AMTC revolving credit facility along with related documents were amended. In connection with the amendments to the BAC term loan, AMTC assumed all of Toppan Photomasks Germany GmbH's (Toppan Germany) rental obligations and became the sole lessee of the BAC facility. Pursuant to the amended AMTC rental contract guarantee, the Company, Toppan Germany and GF guarantee AMTC's rental obligations relating to a portion of the BAC facility. The remaining portion of the BAC facility is subject to a separate lease agreement, whereby Toppan Germany and GF agree to guarantee AMTC's payment obligations to the BAC. The Company's portion of the guarantee corresponds with its exposure under the initial guarantee agreement and is made on a joint and several basis with GF. Moreover, GF has separately agreed to indemnify the Company under certain circumstances if it is called upon to make any payments under the AMTC rental contract guarantee. As of June 26, 2010, the joint and several guarantee of the rental obligation was \$8 million.

In connection with the amendment to the AMTC revolving credit facility, the guarantee agreement was amended so that the Company and GF are joint and several guarantors of 50% of AMTC's outstanding loan balance under the AMTC revolving credit facility. In the event the Company is called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify the Company so long as certain conditions are met. As of June 26, 2010, the amount outstanding under this loan was \$43 million and the joint and several guarantee obligations were \$22 million.

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Warranties and Indemnities

The Company generally warrants that its microprocessors, graphics processors and chipsets sold to its customers will conform to the Company's approved specifications and be free from defects in material and workmanship under normal use and service for one year, provided that, subject to certain exceptions, the Company generally offers a three-year limited warranty to end users for microprocessor products that are commonly referred to as "processors in a box" and for ATI Technologies ULC (ATI)-branded PC workstation products and has offered extended limited warranties to certain customers of "tray" microprocessor products and/or workstation graphics products who have written agreements with the Company and target their computer systems at the commercial and/or embedded markets.

Changes in the Company's potential liability for product warranty are as follows:

	Quarter Ended		Six months Ended	
	June 26, 2010	June 27 2009	June 26, 2010	June 27 2009
	(In millions)		(In millions)	
Balance, beginning of year	\$ 18	\$ 16	\$ 16	\$ 19
New warranties issued during the period	10	7	18	13
Settlements during the period	(11)	(7)	(18)	(15)
Changes in liability for pre-existing warranties during the period, including expirations	4	—	5	(1)
Balance, end of the period	<u>\$ 21</u>	<u>\$ 16</u>	<u>\$ 21</u>	<u>\$ 16</u>

In addition to product warranties, the Company, from time to time in its normal course of business, indemnifies other parties, with whom it enters into contractual relationships, including customers, lessors and parties to other transactions with the Company, with respect to certain matters. In these limited matters, the Company has agreed to hold certain third parties harmless against specific types of claims or losses, such as those arising from a breach of representations or covenants, third-party claims that the Company's products when used for their intended purpose(s) and under specific conditions infringe the intellectual property rights of a third party, or other specified claims made against the indemnified party. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision.

Contingencies

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

NOTE 12. Hedging Transactions and Derivative Financial Instruments

The Company maintains a foreign currency hedging strategy, which uses derivative financial instruments to mitigate the risks associated with changes in foreign currency exchange rates. This strategy takes into consideration all of the Company's consolidated exposures. The Company does not use derivative financial instruments for trading or speculative purposes.

In applying its strategy, from time to time, the Company uses foreign currency forward contracts to hedge certain forecasted expenses denominated in foreign currencies, primarily the euro and Canadian dollar. The Company designates these contracts as cash flow hedges of forecasted expenses, to the extent eligible under the accounting rules (refer to the discussion below related to euro currency forward contracts), and evaluates hedge effectiveness prospectively and retrospectively. As such, the effective portion of the gain or loss on these contracts is reported as a component of accumulated other comprehensive income (loss) and reclassified to earnings in the same line item as the associated forecasted transaction and in the same period during which the hedged transaction affects earnings. Any ineffective portion is immediately recorded in earnings.

Upon deconsolidation of GF in the first quarter of 2010, the Company's outstanding euro currency forward contracts no longer qualified for cash flow hedge accounting treatment because the Company no longer has direct exposure to the euro denominated forecasted spending incurred by GF that those contracts were intended to hedge. While GF invoices the Company in U.S. dollars, those invoices will, nonetheless, reflect fluctuations in the euro because some of GF wafer costs will be based on euro denominated costs. Therefore, the Company's operating results and cash flows will continue to be indirectly exposed to fluctuations in the euro even after deconsolidation. The Company will continue to economically hedge this indirect euro exposure by entering into euro currency forward contracts. However, because these contracts do not qualify as cash flow hedges, gains or losses on these contracts cannot be included in cost of sales, and mark-to-market gains and losses on these contracts can no longer be deferred until the forecasted transactions occur. During the quarter and six months ended June 26, 2010, the Company recorded a loss of \$9 million and \$26 million, respectively, related to these euro currency forward contracts in other income (expense), net in its condensed consolidated statement of operations.

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Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

The Company also uses, from time to time, foreign currency forward contracts to economically hedge recognized foreign currency exposures on the balance sheets of various subsidiaries, primarily those denominated in Canadian dollar. The Company does not designate these forward contracts as hedging instruments. Accordingly, the gain or loss associated with these contracts is immediately recorded in earnings.

The following table shows the amount of gain (loss) included in accumulated other comprehensive income (loss), the amount of gain (loss) reclassified from accumulated other comprehensive income (loss) and included in earnings related to the foreign currency forward contracts designated as cash flow hedges and the amount of gain (loss) included in other income (expense), net related to contracts not designated as hedging instruments, which was allocated in the condensed consolidated statement of operations as follows:

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>June 26,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>	<u>June 26,</u> <u>2010</u>	<u>June 27,</u> <u>2009</u>
(In millions)				
<u>Foreign Currency Forward Contracts</u>				
Contracts designated as cash flow hedging instruments				
Other comprehensive income (loss)	\$ (2)	\$ (2)	\$ (1)	\$ (9)
Cost of sales	—	(5)	—	(18)
Research and development	1	(7)	2	(11)
Marketing, general and administrative	—	(2)	1	(5)
Contracts not designated as hedging instruments				
Other income (expense), net	\$ (10)	\$ (2)	\$ (26)	\$ (42)

The following table shows the fair value amounts included in prepaid expenses and other current assets should the foreign currency forward contracts be in a gain position or included in accrued liabilities should these contracts be in a loss position. These amounts were recorded in the condensed consolidated balance sheet as follows:

	<u>June 26,</u> <u>2010</u>	<u>December 26,</u> <u>2009</u>
	(In millions)	
<u>Foreign Currency Forward Contracts</u>		
Contracts designated as cash flow hedging instruments	\$ (2)	\$ (6)
Contracts not designated as hedging instruments	\$ (6)	\$ —

For the foreign currency contracts designated as cash flow hedges, the ineffective portions of the hedging relationship and the amounts excluded from the assessment of hedge effectiveness were de minimis.

As of June 26, 2010, substantially all of the Company's outstanding contracts are in a loss position, effectively eliminating counterparty risk. As of June 26, 2010 and December 26, 2009, the notional value of the Company's outstanding foreign currency forward contracts was \$334 million and \$384 million, respectively. All the contracts mature within 12 months and upon maturity the amounts recorded in accumulated other comprehensive income (loss) are expected to be reclassified into earnings. The Company is required to post collateral should the derivative contracts be in a net loss position. As of June 26, 2010, \$8 million of collateral has been posted.

Advanced Micro Devices Inc.
Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 13. Subsequent Events

7.75% Senior Notes Due 2020

On August 4, 2010, the Company issued \$500 million of 7.75% Senior Notes due 2020 (the 7.75% Notes). The 7.75% Notes are general unsecured senior obligations. Interest is payable on February 1 and August 1 of each year beginning February 1, 2011 until the maturity date of August 1, 2020. The Company intends to use the net proceeds from this offering of approximately \$490 million, along with existing cash, to purchase up to \$800 million of its 6.00% Notes validly tendered pursuant to the Company's tender offer for such notes, as described below. Net proceeds not used in the tender offer, if any, will be used for general corporate purposes.

Tender Offer

On July 26, 2010, the Company announced the commencement of a cash tender offer for up to \$800 million in aggregate principal amount of its outstanding 6.00% Notes. The Company intends to finance the purchase of the 6.00% Notes tendered in the tender offer with the net proceeds from its August 2010 private offering of \$500 million aggregate principal amount of 7.75% senior notes due 2020 along with its existing cash.

The tender offer will expire at 12:00 midnight, New York City time, on August 20, 2010, unless extended or earlier terminated by the Company. Holders who validly tender, and do not validly withdraw, their 6.00% Notes on or prior to the expiration date will be entitled to receive \$1,000 for each \$1,000 principal amount of 6.00% Notes purchased in the tender offer, plus accrued and unpaid interest to, but not including, the date of payment for the 6.00% Notes accepted for payment. Tenders of 6.00% Notes must be made on or prior to the expiration date, and 6.00% Notes may be withdrawn at any time on or prior to the expiration date.

To the extent that acceptances of all validly tendered notes would require the Company to purchase more than \$800 million in aggregate principal amount of 6.00% Notes in connection with the tender offer, the Company will allocate acceptances on a pro rata basis among the tendering holders. The tender offer is contingent upon the satisfaction of certain conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this report include forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: demand for our products; the timing of new product releases and technology transitions; our growth opportunity in the notebook market; the growth and competitive landscape of the markets in which we participate; capital expenditures; market expense; our planned research and development spending; our future payments to GLOBALFOUNDRIES (GF) under the wafer purchase agreement; the duration of potential supply constraints with respect to our graphics products; our product roadmap; unrecognized tax benefits; and availability of external financing. Material factors and assumptions that were applied in making these forward-looking statements include, without limitation, the following: (1) the expected rate of market growth and demand for our products and technologies (and the mix thereof); (2) our expected market share; (3) our expected product costs and average selling price; (4) our overall competitive position and the competitiveness of our current and future products; (5) our ability to introduce new products, consistent with our current roadmap; (6) our ability to raise sufficient capital on favorable terms; (7) our ability to make additional investment in research and development and that such opportunities will be available; (8) our ability to realize the anticipated benefits of the GF manufacturing joint venture and of our asset smart strategy; (9) the expected demand for computers; and (10) the state of credit markets and macroeconomic conditions. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: (1) that Intel Corporation's pricing, marketing and rebating programs, product bundling, standard setting, new product introductions or other activities may negatively impact our plans; (2) that we may be unable to develop, launch and ramp new products and technologies in the volumes that are required by the market at mature yields on a timely basis; (3) that GF and our other third party foundries will be unable to transition our products to advanced manufacturing process technologies in a timely and effective way; (4) that GF and our other third party foundries will be unable to manufacture our products on a timely basis and on competitive process technologies; (5) that we will be unable to obtain sufficient manufacturing capacity or components to meet demand for our products or will under-utilize our commitment with respect to GF's microprocessor manufacturing facilities; (6) that our substantial indebtedness could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations; (7) that we will require additional funding and may be unable to raise sufficient capital on favorable terms, or at all; (8) that we may be unable to realize the anticipated benefits of our asset smart strategy or the GF manufacturing joint venture because, among other things, the synergies expected from the transaction may not be fully realized or may take longer to realize than expected; (9) that customers stop buying our products or materially reduce their operations or demand for our products; (10) that we may be unable to maintain the level of investment in research and development that is required to remain competitive; (11) that there may be unexpected variations in market growth and demand for our products and technologies in light of the product mix that we may have available at any particular time or a decline in demand; (12) that global business and economic conditions will not continue to improve or will worsen; (13) that demand for computers will be lower than currently expected; and (14) the effect of political or economic instability, domestically or internationally, on our sales or supply chain.

For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Part II, Item 1A—Risk Factors" section beginning on page 41 and the "Financial Condition" section beginning on page 33 and such other risks and uncertainties as set forth below in this report or detailed in our other Securities and Exchange Commission (SEC) reports and filings. We assume no obligation to update forward-looking statements.

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The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this report and our audited consolidated financial statements and related notes as of December 26, 2009 and December 27, 2008, and for each of the three years in the period ended December 26, 2009 as filed in our Annual Report on Form 10-K for the year ended December 26, 2009.

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Overview

We are a global semiconductor company with facilities around the world. Within the global semiconductor industry, we offer primarily:

- x86 microprocessors, for the commercial and consumer markets, embedded microprocessors for commercial, commercial client and consumer markets and chipsets for desktop and notebook PCs, professional workstations and servers; and
- graphics, video and multimedia products for desktop and notebook computers, including home media PCs and professional workstations, servers and technology for game consoles.

In this section, we will describe the general financial condition and the results of operations for Advanced Micro Devices, Inc. and its consolidated subsidiaries, including a discussion of our results of operations for the quarter and six months ended June 26, 2010 compared to the quarter ended March 27, 2010 and the quarter and six months ended June 27, 2009, an analysis of changes in our financial condition and a discussion of our contractual obligations and off balance sheet arrangements. References in this report to “us,” “our” or “AMD,” include these consolidated operating results.

Supported by an improved economic environment and robust demand for IT products, we reported record second quarter revenues for the second quarter of 2010 as well as improved operating performance compared to the same period in the prior year. Our net revenue in the second quarter of 2010 was \$1.65 billion, an increase of 40% compared to the second quarter of 2009 and an increase of 5% compared to the first quarter of 2010. During the second quarter, we continued to experience strong demand for our GPU products, although the increase in GPU unit shipments was tempered by continued supply constraints. We also experienced strong demand from existing and new customers for our new notebook platforms, and chipset unit shipments increased compared to both the second quarter of 2009 and the first quarter of 2010 as customers increasingly adopted AMD chipsets with our microprocessor products, especially for notebook PCs. Our gross margin, as a percentage of net revenue, for the second quarter of 2010 was 45%, supported by lower unit costs due to improved utilization of GF manufacturing facilities and improved product mix. Also, we had positive operating income.

In addition, in the second quarter of 2010, we continued to experience strong market adoption of our VISION Technology marketing campaign. As a result of this campaign, we more than tripled the number of VISION branded platforms in the market since September 2009. We designed the VISION Technology program to simplify the buying process for consumers by more clearly connecting our brand to the level of activities that consumers want to perform on the PC. Under the VISION Technology brand, we launched new 2010 mainstream and enthusiast desktop platforms that include the AMD Phenom™ II X6 processor and new 2010 mainstream and ultrathin notebook platforms during the second quarter of 2010. In addition, in June 2010, we launched the AMD Opteron™ 4000 series processor which is targeted at the value and power conscious segment of the mainstream infrastructure server market. These processors are currently the world’s lowest power per core server processors and are designed to meet the requirements of cloud and hyperscale data centers. We also launched the AMD FireStream™ 9350 and AMD Firestream™ 9370 GPU compute accelerators during the second quarter of 2010. The new AMD FireStream accelerators are targeted at high performance computing, cloud and enterprise-scale deployments that perform highly parallel, compute-intensive workloads.

From a financial condition perspective, we ended the second quarter of 2010 with cash, cash equivalents and marketable securities of \$1.9 billion. Long-term debt as of the end of the second quarter of 2010 was \$2.4 billion. During the first six months of 2010, we repurchased \$216 million in aggregate principal amount of our outstanding 6.00% Convertible Senior Notes (the 6.00% Notes) for approximately \$209 million in cash. In addition, during the second quarter of 2010, pursuant to funding requests from GF in accordance with the Funding Agreement between us, GF and ATIC dated as of March 2, 2009, ATIC contributed a total of \$327 million of cash to GF in exchange for GF securities consisting of 79,272 Class A Preferred shares and 317,091 Class B Preferred shares. We did not participate in these fundings. As a result, our Class A Preferred share ownership interest in GF decreased from approximately 83% as of December 27, 2009, to approximately 79% as of June 26, 2010, and our ownership interest in GF (on a fully diluted basis) decreased to approximately 28%.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist you in understanding our financial statements, the changes in certain key items in those financial statements from year to year, the primary factors that resulted in those changes, and how certain accounting principles, policies and estimates affect our financial statements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our condensed consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our revenues, inventories, asset impairments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Although actual results have historically been reasonably consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

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Management believes there have been no significant changes during the second quarter of 2010 and the six months ended June 26, 2010, to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 26, 2009.

Results of Operations

Management, including the Chief Operating Decision Maker, who is our chief executive officer, reviews and assesses operating performance using segment net revenues and operating income (loss) before interest, other income (expense), equity in net income (loss) of investees and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

During the year ended December 26, 2009, we had the following three reportable operating segments:

- the Computing Solutions segment, which included microprocessors, chipsets and embedded processors and related revenue;
- the Graphics segment, which included graphics, video and multimedia products and related revenue as well as revenue received in connection with the development and sale of game console systems that incorporate our graphics technology; and
- the Foundry segment, which included operating results attributable to front end wafer manufacturing operations and related activities, including the operating results of GF, from March 2, 2009 to December 26, 2009.

In addition to these reportable segments, we had an All Other category, which was not a reportable segment. This category included certain expenses and credits that were not allocated to any of the operating segments because management did not consider these expenses and credits in evaluating the performance of the operating segments. These expenses were non-Foundry segment related expenses and included employee stock-based compensation expense, restructuring charges and, amortization of acquired intangible assets. We also reported the results of the Handheld business unit in the All Other category because the operating results of this business unit were not material. The Handheld business unit consisted of the AMD Imageon™ media processor brand and handheld products that were part of the Handheld business unit prior to the sale of certain graphics and multimedia technology assets and intellectual property to Qualcomm Incorporated (Qualcomm) during the first quarter of 2009. We also had an Intersegment Eliminations category, which was also not a reportable segment. This category included intersegment eliminations for revenue, cost of sales and profits on inventory related to transactions between the Computing Solutions segment and the Foundry segment. For the fourth quarter of 2009, the income we recognized pursuant to our settlement agreement with Intel was reported in the All Other category.

Beginning in the first quarter of 2010, as a result of the deconsolidation of GF, we no longer have a Foundry segment or an Intersegment Eliminations category. Therefore, we started using the following two reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors and related revenue; and
- the Graphics segment, which includes graphics, video and multimedia products and related revenue as well as revenue received in connection with the development and sale of game console systems that incorporate our graphics technology.

In addition, starting in the first quarter of 2010, we began accounting for the embedded graphics business under the Computing Solutions segment. Previously, operating results related to this business were recorded as part of the Graphics segment. Information for prior periods has been recast to reflect this change.

We continue to have an All Other category, as described above, and the results of the Handheld business unit continue to be reported in this category because we expect that the operating results of this business unit will continue to be immaterial.

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

	Quarter Ended			Six Months Ended	
	June 26, 2010	March 27, 2010	June 27, 2009	June 26, 2010	June 27, 2009
	(In millions)				
Net revenue:					
Computing Solutions	\$ 1,212	\$ 1,160	\$ 926	\$ 2,372	\$ 1,868
Graphics	440	409	235	849	453
All Other	1	5	23	6	40
Foundry	—	—	253	—	536
Intersegment Eliminations	—	—	(253)	—	(536)
Total net revenue	<u>\$ 1,653</u>	<u>\$ 1,574</u>	<u>\$ 1,184</u>	<u>\$ 3,227</u>	<u>\$ 2,361</u>
Operating income (loss):					
Computing Solutions	\$ 128	\$ 146	\$ (67)	\$ 274	\$ (101)
Graphics	33	47	(17)	80	(17)
All Other	(36)	(11)	(41)	(47)	(165)
Foundry	—	—	(101)	—	(233)
Intersegment Eliminations	—	—	(23)	—	(31)
Total operating income (loss)	<u>\$ 125</u>	<u>\$ 182</u>	<u>\$ (249)</u>	<u>\$ 307</u>	<u>\$ (547)</u>

Computing Solutions

Computing Solutions net revenue of \$1,212 million in the second quarter of 2010 increased 31% compared to net revenue of \$926 million in the second quarter of 2009 as a result of a 33% increase in unit shipments. The increase in unit shipments was primarily attributable to an increase in unit shipments of our chipset products and microprocessor products, especially for notebook PCs. Unit shipments increased due to an improved economic environment which contributed to increased demand. In addition, chipset unit shipments increased as customers increasingly adopted AMD chipsets with our microprocessor products, especially for notebook PCs where the attach rate is 100%. Unit shipments of our microprocessors for notebook PCs increased due to increased demand from existing and new customers for our new notebook platforms. Average selling price was relatively flat in the second quarter of 2010 as compared to the second quarter of 2009. Increased microprocessor average selling price was offset by lower average selling price of embedded processors. Average selling price of our microprocessors increased primarily due to a favorable shift in our product mix to higher end microprocessors, especially for servers, as customers transitioned to our new AMD Opteron™ 6000 series server platforms. Average selling price of embedded processors decreased primarily due to a shift in our product mix to lower end embedded processors.

Computing Solutions net revenue of \$1,212 million in the second quarter of 2010 increased 4% compared to net revenue of \$1,160 million in the first quarter of 2010 primarily as a result of a 9% increase in unit shipments partially offset by a 5% decrease in average selling price. The increase in unit shipments was primarily attributable to an increase in unit shipments of our chipset products and embedded processor products. Unit shipments of chipset products increased as customers increasingly adopted AMD chipsets with our microprocessor products, especially for notebook PCs where the attach rate is 100%. Embedded processor unit shipments increased due to increased demand. Microprocessor unit shipments were flat in the second quarter of 2010 as compared to the first quarter of 2010. An increase in unit shipments of microprocessors for notebook PCs was offset by a decrease in unit shipments of microprocessors for servers and desktop PCs. Average selling price decreased primarily due to a decrease in average selling price of embedded processors as a result of a shift in our product mix to lower end embedded processors.

Computing Solutions net revenue of \$2,372 million for the first six months of 2010 increased 27% compared to net revenue of \$1,868 million for the first six months of 2009 primarily as a result of a 35% increase in unit shipments partially offset by a 6% decrease in average selling price. The increase in unit shipments was primarily attributable to an increase in unit shipments of our chipset products and microprocessor products, especially for notebook PCs. Unit shipments increased due to an improved economic environment which contributed to increased demand. Chipset unit shipments increased as customers increasingly adopted AMD chipsets with our microprocessor products, especially for notebook PCs where the attach rate is 100%. In addition, unit shipments of our microprocessors for notebook PCs increased due to increased demand from existing and new customers for our new notebook platforms. Average selling price decreased primarily due to a decrease in average selling price of embedded processors, which was partially offset by an increase in average selling price of microprocessor products. Average selling price of embedded processors decreased due to a shift in our product mix to lower end embedded processors. Average selling price of microprocessor products increased due to a favorable shift in our product mix to higher end microprocessors.

Computing Solutions operating income was \$128 million in the second quarter of 2010 compared to an operating loss of \$67 million in the second quarter of 2009. The improvement was primarily due to the increase in net revenue referenced above partially offset by a \$69 million increase in research and development expenses, a \$19 million increase in cost of sales and a \$3 million increase in marketing, general and administrative expenses. Research and development expenses and marketing, general and administrative expenses increased for the reasons set forth under "Expenses," below. Cost of sales increased primarily due to the increase in unit shipments in the second quarter of 2010 and a one time benefit related to the deconsolidation of GF in the first quarter of 2010.

Computing Solutions operating income was \$128 million in the second quarter of 2010 compared to \$146 million in the first quarter of 2010. The decline in operating results was primarily due to a \$38 million increase in research and development expenses, a \$16 million increase in cost of sales and a \$14 million increase in marketing, general and administrative expenses. Research and development expenses and marketing, general and administrative expenses increased for the reasons set forth under "Expenses," below. Cost of sales increased primarily due to the increase in unit shipments.

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Computing Solutions operating income was \$274 million in the first six months of 2010 compared to an operating loss of \$101 million in the first six months of 2009. The improvement was primarily due to the increase in net revenue referenced above and a \$17 million decrease in marketing, general and administrative expenses. These improvements were partially offset by a \$101 million increase in research and development expenses and a \$45 million increase in cost of sales. Marketing, general and administrative expenses decreased and research and development expenses increased for the reasons set forth under "Expenses," below. Cost of sales increased primarily due to the increase in unit shipments.

Graphics

Graphics net revenue of \$440 million in the second quarter of 2010 increased 87% compared to net revenue of \$235 million in the second quarter of 2009. The increase was primarily due to a 97% increase in net revenue from sales of GPU products. Revenue from sales of GPU products increased due to an increase in both GPU unit shipments and average selling price. Unit shipments increased due to strong demand for our DirectX 11-capable ATI Radeon™ products and continued demand for our ATI Radeon™ HD 4000 series. The increase in unit shipments was hampered due to continued supply constraints with respect to our latest generation GPUs introduced in the second half of 2009 and the first half of 2010. These supply constraints were primarily related to constrained wafer foundry capacity in the first half of 2010. GPU average selling price increased due to a favorable shift in our product mix to higher end GPU products.

Graphics net revenue of \$440 million in the second quarter of 2010 increased 8% compared to net revenue of \$409 million in the first quarter of 2010. The increase was primarily due to an 8% increase in revenue from sales of GPU products. Revenue from sales of GPU products increased due to an increase in GPU unit shipments partially offset by a decrease in GPU average selling price. The increase in GPU unit shipments was primarily due to increased demand for our latest generation GPUs introduced in the second half of 2009 and the first quarter of 2010. The decrease in GPU average selling price was primarily due to continued supply constraints which resulted in a higher proportion of unit shipments to OEMs and lower proportion of unit shipments to add-in-board (AIB) partners. Generally, products sold to OEMs command lower selling prices than products sold to AIBs. In addition, during the second quarter of 2010, OEM purchases skewed towards lower end GPU products.

Graphics net revenue of \$849 million in the first six months of 2010 increased 87% compared to net revenue of \$453 million in the first six months of 2009. The increase was primarily due to a 101% increase in net revenue from sales of GPU products. Revenue from sales of GPU products increased due to an increase in both GPU unit shipments and average selling price. Unit shipments increased due to strong demand for our DirectX 11-capable ATI Radeon™ products and continued demand for our ATI Radeon™ HD 4000 series, but the increase was hampered due to the continued supply constraints described above. GPU average selling price increased due to a favorable shift in our product mix to higher end GPU products.

Graphics operating income was \$33 million in the second quarter of 2010 compared to an operating loss of \$17 million in the second quarter of 2009. The improvement was primarily due to the increase in net revenue referenced above, partially offset by a \$144 million increase in cost of sales due to higher GPU unit shipments and a \$5 million increase in research and development expenses for the reasons set forth under "Expenses," below.

Graphics operating income was \$33 million in the second quarter of 2010 compared to \$47 million in the first quarter of 2010. The decrease in operating results was primarily due to a \$38 million increase in cost of sales and \$10 million increase in research and development expenses partially offset by the increase in net revenue referenced above and a \$4 million decrease in marketing, general and administrative expenses. Cost of sales increased primarily due to higher GPU unit shipments. Research and development expenses increased and marketing, general and administrative expenses decreased for the reasons set forth under "Expenses," below.

Graphics operating income was \$80 million in the first six months of 2010 compared to an operating loss of \$17 million in the first six months of 2009. The improvement was primarily due to the increase in net revenue referenced above, partially offset by a \$286 million increase in cost of sales due to higher GPU unit shipments, an \$8 million increase in marketing, general and administrative expenses and a \$5 million increase in research and development expenses. Marketing, general and administrative expenses and research and development expenses increased for the reasons set forth under "Expenses," below.

All Other

All Other net revenue of \$1 million in the second quarter of 2010 decreased by 96% compared to net revenue of \$23 million in the second quarter of 2009. All Other net revenue decreased because of a significant reduction in customer orders for our existing Handheld products. Customer orders decreased because we decided to exit this business after selling certain graphics and multimedia technology assets and intellectual property to Qualcomm in the first quarter of 2009.

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All Other net revenue of \$1 million in the second quarter of 2010 decreased by 80% compared to net revenue of \$5 million in the first quarter of 2010. As we continued to exit the business, we received fewer customer orders for existing Handheld products, which caused All Other net revenue to decrease.

All Other net revenue of \$6 million in the first six months of 2010 decreased by 85% compared to net revenue of \$40 million in the first six months of 2009. All Other net revenue decreased because of a significant reduction in customer orders for the reasons set forth above.

All Other operating loss in the second quarter of 2010 of \$36 million improved compared to an operating loss of \$41 million in the second quarter of 2009 primarily due to a \$13 million decrease in cost of sales and a \$9 million decrease in research and development expenses. The reduction in customer orders for Handheld products referenced above led to lower manufacturing costs and reduced cost of sales. Research and development expenses decreased for the reasons set forth under "Expenses," below. However, the \$22 million decrease in net revenue referenced above mitigated the improvement in operating results.

All Other operating loss in the second quarter of 2010 was \$36 million compared to an operating loss of \$11 million in the first quarter of 2010. The increased operating loss was primarily attributable to a \$27 million increase in cost of sales and the \$4 million decrease in net revenue referenced above. Cost of sales increased due to a benefit recognized in first quarter of 2010 related to deconsolidation of GF.

All Other operating loss in the first six months of 2010 was \$47 million compared to \$165 million in the first six months of 2009. The improvement in operating results was primarily attributable to an absence of \$60 million in restructuring charges, a \$47 million decrease in cost of sales, a \$23 million decrease in research and development expenses and an \$18 million decrease in marketing, general and administrative expenses. Cost of sales decreased primarily due to a benefit recognized in first quarter of 2010 related to deconsolidation of GF and lower Handheld product shipments. Research and development expenses and marketing, general and administrative expenses decreased for the reasons set forth under "Expenses," below. However, the \$34 million decrease in net revenue referenced above tempered the improvement in operating results.

Comparison of Gross Margin, Expenses, Interest Income, Interest Expense, Other Income (Expense), Net, and Income Taxes

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

	Quarter Ended			Six Months Ended	
	June 26, 2010	March 27, 2010	June 27, 2009	June 26, 2010	June 27, 2009
	(In millions except for percentages)				
Cost of sales	\$ 915	\$ 833	\$ 743	\$ 1,748	\$ 1,409
Gross margin	738	741	441	1,479	952
Gross margin percentage	45%	47%	37%	46%	40%
Research and development	\$ 371	\$ 323	\$ 425	\$ 694	\$ 869
Marketing, general and administrative	229	219	247	448	534
Amortization of acquired intangible assets	17	17	17	34	35
Restructuring charges (reversal)	(4)	—	1	(4)	61
Interest income	3	3	6	6	9
Interest expense	(55)	(49)	(108)	(104)	(205)
Other income (expense), net	(1)	304	6	303	100
Provision (benefit) for income taxes	(5)	—	(10)	(5)	106
Equity in net income (loss) of investee	\$ (120)	\$ (183)	\$ —	\$ (303)	\$ —

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Gross Margin

The deconsolidation of GF affects the comparability of pre- and post-deconsolidation periods. In periods prior to the deconsolidation of GF, our inventory standard costs were lower than they are post-deconsolidation because they did not include the manufacturing profit associated with the wafer fabrication activities performed by GF, and they reflected our estimates of excess capacity. Post-deconsolidation, our standard costs reflect the cost-plus terms of the wafer supply agreement between us and GF.

Gross margin as a percentage of net revenue was 45% in the second quarter of 2010 compared to 37% in the second quarter of 2009. However, gross margin in the second quarter of 2009 included \$20 million attributable to the Foundry segment and Intersegment Eliminations related to profits on inventory and a \$98 million benefit related to the sale of inventory that had been written-down in the fourth quarter of 2008. The factors that led to the sale of the inventory that was previously written down were the stabilization of the overall macroeconomic environment and improved business conditions in 2009 compared to the end of 2008, which led to an increase in end user demand for PCs and, correspondingly, an increase in customer orders for, and shipments of, our products.

Without taking into account the gross margin benefit related to the sale of previously written-down inventory, which we believe is not indicative of our ongoing operating performance, and excluding the amount related to profits on inventory attributable to the Foundry segment and Intersegment Eliminations in order to make it easier to compare current and historical period operating results, our gross margin would have been 27% in the second quarter of 2009. The improvement in gross margin in the second quarter of 2010 compared to the second quarter of 2009, as adjusted for the factors described above, was due primarily to the improvement in the utilization of GF manufacturing facilities, which is reflected in the prices we pay for microprocessors under the wafer supply agreement, an improvement in our unit costs primarily due to a greater proportion of microprocessors manufactured using 45 nm process technology, lower back end manufacturing costs and higher average selling price due to a favorable shift in our product mix to higher end products.

Gross margin as a percentage of net revenue was 45% in the second quarter of 2010 compared to 47% in the first quarter of 2010. Gross margin in the first quarter of 2010 included a \$69 million benefit related to the deconsolidation impact of GF. Without taking into account the gross margin benefit related to the deconsolidation, which we believe is not indicative of our ongoing operating performance, our gross margin would have been 43% in the first quarter of 2010. The improvement in the gross margin in the second quarter of 2010 compared to first quarter of 2010, as adjusted for the factor described above, was due primarily to the improvement in the utilization of GF manufacturing facilities, and a favorable shift in our product mix to higher end products for both microprocessors and GPU products.

Gross margin as a percentage of net revenue was 46% in the first six months of 2010 compared to 40% in the first six months of 2009. Gross margin in the first six months of 2009 included \$54 million attributable to the Foundry segment and Intersegment Eliminations related to profits on inventory and a \$162 million benefit related to the sale of inventory that had been previously written-down in the fourth quarter of 2008. Gross margin in the first six months of 2010 included the \$69 million deconsolidation impact discussed above. Absent the effects of the events as described above, which we believe are not indicative of our ongoing operating performance, our gross margin would have been 44% in the first six months of 2010 compared to 31% in the first six months of 2009. The improvement in gross margin was primarily attributable to the improvement in utilization of GF manufacturing facilities, an improvement in our unit costs primarily due to a greater proportion of microprocessors manufactured using 45 nm process technology and higher average selling price due to a favorable shift in our product mix to higher end products.

Expenses

Research and Development Expenses

Research and development expenses of \$371 million in the second quarter of 2010 decreased by \$54 million, or 13%, compared to \$425 million in the second quarter of 2009. Research and development expenses in the second quarter of 2009 included \$119 million in research and development expenses related to the Foundry segment. Without taking into account the research and development expenses related to the Foundry segment, which we believe is not indicative of our ongoing performance, research and development expenses would have increased by \$65 million in the second quarter of 2010 as compared to the second quarter of 2009 primarily due to a \$69 million increase in research and development expense attributable to our Computing Solutions segment and a \$5 million increase in research and development expenses attributable to our Graphics segment, partially offset by a \$9 million decrease in research and development expenses attributable to our All Other category. The increase in research and development expenses attributable to our Computing Solutions segment was primarily due to a \$25 million increase in product engineering and design costs for future products, a \$21 million increase in manufacturing process technology expenses related to GF and a \$20 million increase in employee benefit and compensation expense. The increase in research and development expenses attributable to our Graphics segment was primarily due to increased employee benefit and compensation expense. The decrease in research and development expenses attributable to our All Other category was primarily because of lower research and development expenses related to handheld products because we decided to exit this business after selling certain graphics and multimedia technology assets and intellectual property to Qualcomm in the first quarter of 2009.

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Research and development expenses of \$371 million in the second quarter of 2010 increased by \$48 million, or 15%, compared to \$323 million in the first quarter of 2010. This increase was primarily due to a \$38 million increase in research and development expenses attributable to our Computing Solutions segment and a \$10 million increase in research and development expenses attributable to our Graphics segment. The increase in research and development expenses attributable to our Computing Solutions segment was primarily due to a \$23 million increase in product engineering and design costs for future products, an \$11 million increase in manufacturing process technology expenses related to GF and a \$4 million increase in employee benefit and compensation expense. The increase in research and development expenses attributable to our Graphics segment was primarily due to a \$7 million increase in product engineering and design costs for future products and a \$2 million increase in employee benefit and compensation expense.

Research and development expenses of \$694 million in the first six months of 2010 decreased by \$175 million, or 20%, compared to \$869 million in the first six months of 2009. In the first six months of 2009, research and development expenses included \$258 million in research and development expenses related to the Foundry segment. Without taking into account the research and development expenses attributable to the Foundry segment, research and development expenses would have increased by \$83 million in the first six months of 2010 as compared to the first six months of 2009 primarily due to a \$101 million increase in research and development expenses attributable to our Computing Solutions segment and a \$5 million increase in research and development expenses attributable to our Graphics segment, partially offset by a \$23 million decrease in research and development expenses attributable to our All Other category. The increase in research and development expenses attributable to our Computing Solutions segment was primarily due to a \$40 million increase in product engineering and design costs for future products, a \$36 million increase in employee benefit and compensation expense and a \$28 million increase in manufacturing process technology expenses related to GF. The increase in research and development expenses attributable to our Graphics segment was primarily due to a \$19 million increase in employee benefit and compensation expense, partially offset by a \$9 million decrease in product engineering and design costs for future products and a \$7 million decrease due to foreign exchange rate fluctuations. The decrease in research and development expenses attributable to our All Other category was primarily because of lower research and development expenses related to handheld products.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of \$229 million in the second quarter of 2010 decreased by \$18 million, or 7%, compared to \$247 million in the second quarter of 2009. Marketing, general and administrative expenses in the second quarter of 2009 included \$26 million attributable to the Foundry segment. Without taking into account the marketing, general and administrative expenses attributable to the Foundry segment, marketing, general and administrative expenses would have increased by \$8 million. This increase was primarily due to an increase in marketing, general and administrative expenses attributable to our Computing Solutions segment. The increase in marketing, general and administrative expenses attributable to our Computing Solutions segment was primarily due to a \$10 million increase in sales and marketing expense and a \$6 million increase in employee benefit and compensation expense, partially offset by a \$12 million decrease in legal expense.

Marketing, general and administrative expenses of \$229 million in the second quarter of 2010 increased by \$10 million, or 5%, compared to \$219 million in the first quarter of 2010. This increase was due to a \$14 million increase in marketing, general and administrative expenses attributable to our Computing Solutions segment, partially offset by a \$4 million decrease in marketing, general and administrative expenses attributable to our Graphics segment. The increase in marketing, general and administrative expenses in our Computing Solutions segment was primarily due to an \$8 million increase in sales and marketing expense and an \$8 million increase in legal expenses and IT administrative projects. The decrease in marketing, general and administrative expenses in our Graphics segment was primarily due to a \$6 million decrease in sales and marketing expense.

Marketing, general and administrative expenses of \$448 million in the first six months of 2010 decreased by \$86 million, or 16%, compared to \$534 million in the first six months of 2009. Marketing, general and administrative expenses in the first six months of 2009 included \$60 million attributable to the Foundry segment. Without taking into account the marketing, general and administrative expenses attributable to the Foundry segment, marketing, general and administrative expenses would have decreased by \$26 million. This decrease was primarily due to an \$18 million decrease in marketing, general and administrative expenses attributable to our All Other category and a \$17 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment. These decreases were partially offset by an \$8 million increase in general and administrative expenses attributable to our Graphics segment. The decrease in marketing, general and administrative expenses attributable to the All Other category was mainly due to the absence of \$21 million of expenses incurred in connection with the formation of GF in the first quarter of 2009. The decrease in marketing, general and administrative expenses in our Computing Solutions segment was primarily due to a \$35 million decrease in legal expenses, partially offset by a \$14 million increase in employee benefit and compensation expense and a \$7 million increase in sales and marketing expense. The increase in marketing, general and administrative expenses attributable to our Graphics segment was primarily due to a \$6 million increase in employee benefit and compensation expense.

We expect marketing expenses for the next two fiscal quarters to increase due to a change in our marketing programs as we transition to these new marketing programs.

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Interest Expense

Interest expense of \$55 million in the second quarter of 2010 decreased from \$108 million in the second quarter of 2009. This decrease was due to \$37 million of interest expense incurred by GF in the second quarter of 2009, and as a result of the deconsolidation of GF, this interest expense was not reflected in our results of operations in the second quarter of 2010. In addition, \$28 million of this decrease was due to a decrease in the principal amount outstanding under our 5.75% Convertible Senior Notes due 2012 (5.75% Notes) and 6.00% Notes and the redemption of our 7.75% Senior Notes due 2012 (Old Senior Notes) in the fourth quarter of 2009. These factors were partially offset by interest expense of \$10 million under our 8.125% Senior Notes due 2017 (8.125% Notes), which were not outstanding in the second quarter of 2009.

Interest expense of \$55 million in the second quarter of 2010 was relatively flat as compared to \$49 million in the first quarter of 2010.

Interest expense of \$104 million in the first six months of 2010 decreased from \$205 million in the first six months of 2009. This decrease was due to a \$64 million decrease in the principal amount outstanding under our 5.75% Notes and 6.00% Notes and the full redemption of our Old Senior Notes in the fourth quarter of 2009. In addition, GF incurred interest expense of \$60 million in the first six months of 2009, and as a result of the deconsolidation of GF, this interest expense was not reflected in our results of operations in the first six months of 2010. These factors were partially offset by interest expense of \$21 million under our 8.125% Notes, which were not outstanding in the second quarter of 2009.

Other Income (Expense), Net

Other expense, net in the second quarter of 2010, was \$1 million compared to other income, net of \$6 million in the second quarter of 2009. During the second quarter of 2010, we recognized a \$9 million loss related to foreign exchange rate fluctuations offset by a \$7 million gain from the sale of marketable equity securities. In the second quarter of 2009, we recognized a gain of \$15 million in connection with the settlement of a liability related to certain foreign currency exchange contracts, and we repurchased an aggregate of \$15 million principal amount of our 5.75% Notes, resulting in a gain of approximately \$6 million. These gains were partially offset by a \$10 million foreign exchange loss.

Other expense, net in the second quarter of 2010, was \$1 million compared to other income, net of \$304 million in the first quarter of 2010. In the first quarter of 2010, we recognized a non-cash one-time gain related to the deconsolidation of GF of approximately \$325 million, offset by a loss of \$18 million related to foreign exchange rate fluctuations. During the second quarter of 2010, we recognized a \$9 million loss related to foreign exchange rate fluctuations offset by a gain of \$7 million from the sale of marketable equity securities.

Other income, net of \$303 million in the first six months of 2010, increased from \$100 million in the first six months of 2009. In the first six months of 2010, we recognized a non-cash one-time gain related to the deconsolidation of GF of approximately \$325 million and a gain of \$7 million from the sale of marketable equity securities, offset by a loss of \$27 million related to foreign exchange rate fluctuations. During the first six months of 2009, we repurchased \$158 million principal amount of our 6.00% Notes, resulting in a gain of approximately \$108 million, and we also repurchased \$15 million principal amount of our 5.75% Notes, resulting in a gain of approximately \$6 million. In addition, we recognized a gain of \$15 million in connection with the settlement of a liability related to certain foreign currency exchange contracts and a gain of \$28 million on the sale of certain Handheld assets. These gains were partially offset by a \$17 million charge for real estate transfer taxes in connection with the GF manufacturing joint venture transaction, a \$10 million charge related to the AMTC joint venture (described in more detail in the section "Off Balance Sheet Arrangements," below) and a \$20 million foreign exchange loss.

Income Taxes

We recorded an income tax benefit of \$5 million in the second quarter of 2010 due to the reversal of \$8 million of unrecognized tax benefits offset by foreign taxes in profitable locations. For the six months ended June 26, 2010, we recorded an income tax benefit of \$5 million due to research and development tax credit monetization benefits in the United States and the reversal of unrecognized tax benefits, offset by foreign taxes in profitable locations.

In the second quarter of 2009, we recorded an income tax benefit of \$10 million that consisted of discrete tax benefits of \$7 million and the tax effects of items credited directly to other comprehensive income (OCI) of \$10 million, offset by foreign taxes in profitable locations of \$7 million. For the six months ended June 27, 2009, we recorded an income tax provision of \$106 million primarily due to a one-time loss of deferred tax assets for German net operating loss carryovers upon the transfer of our ownership interests in certain German subsidiaries to GF and foreign taxes in profitable locations, offset by discrete tax benefits and the tax effects of items credited directly to OCI.

As of June 26, 2010, substantially all of our U.S. deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at June 26, 2010, in management's judgment, is not more likely than not to be achieved.

During the second quarter of 2010, the IRS completed its audit of our U.S. Federal tax returns for the years ending 2004 to 2006 inclusive.

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Equity in Net Income (Loss) of Investee

The equity in net income (loss) of investee consists primarily of our proportionate share of GF's losses for the period based on our ownership percentage of GF's Class A Preferred shares, our portion of the non-cash accretion on GF's Class B Preferred shares, the elimination of intercompany profit, reflecting the mark-up on inventory that remains on our balance sheet at the end of the period, the amortization of basis differences identified from the purchase price allocation process based on the fair value of GF upon deconsolidation, and, to the extent applicable, the gain or loss on dilution of our ownership interest as a result of the capital infusion into GF by ATIC.

On December 18, 2009, ATIC International Investment Company, or ATIC II, an affiliate of ATIC, acquired Chartered Semiconductor Manufacturing Ltd., or Chartered. On December 28, 2009, with our consent, ATIC II, Chartered and GF entered into a Management and Operating Agreement, or MOA, which provides for the joint management and operation of GF and Chartered. Under the applicable accounting rules, as a result of the MOA, GF is required to consolidate Chartered because it is deemed to be the primary beneficiary of Chartered. For purposes of our application of the equity method of accounting, we record our share of the GF results excluding the results of Chartered because GF does not have an equity ownership interest in Chartered.

As of June 26, 2010, our ownership interest in GF Class A Preferred shares was approximately 79%, and the carrying value of our investment in GF was \$148 million. During the second quarter of 2010, pursuant to funding requests from GF in accordance with the Funding Agreement between us, GF and ATIC dated as of March 2, 2009, ATIC contributed a total of \$327 million of cash to GF in exchange for GF securities consisting of 79,272 Class A Preferred shares and 317,091 Class B Preferred shares. We did not participate in these fundings. As a result, our ownership interest in GF (on a fully diluted basis) decreased to approximately 28%, and our Class A Preferred share ownership decreased from approximately 83% to approximately 79%, resulting in an aggregate gain on issuance of new GF shares of \$6 million. We recorded the gain as part of the equity in net income (loss) of investee line item on our condensed consolidated statement of operations. We cannot currently quantify our maximum exposure to the future losses of GF.

AMD and GF are parties to a Wafer Supply Agreement dated as of March 2, 2009, which, among other things, governs the terms by which we purchase products manufactured by GF, subject to minimum purchase obligations. We currently pay GF for wafers on a cost-plus basis, which we believe represents market price. The wafer supply agreement terminates no later than February 2024. Our total purchases from GF related to wafer manufacturing and research and development activities during the second quarter and six months ended June 26, 2010, amounted to approximately \$336 million and \$665 million, respectively.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense related to employee stock options and restricted stock units, which we allocated in the condensed consolidated statements of operations as follows:

	Quarter Ended			Six Months Ended	
	June 26, 2010	March 27, 2010	June 27, 2009	June 26, 2010	June 27, 2009
			(In millions)		
Cost of sales	\$ 1	\$ 1	\$ 1	\$ 2	\$ 2
Research and development	11	10	10	21	19
Marketing, general, and administrative	11	9	7	20	18
Total stock-based compensation expense	23	20	18	43	39
Tax benefit	—	—	—	—	—
Stock-based compensation expense, net of tax	<u>\$ 23</u>	<u>\$ 20</u>	<u>\$ 18</u>	<u>\$ 43</u>	<u>\$ 39</u>

Stock-based compensation expenses of \$23 million in the second quarter of 2010 increased \$5 million as compared to \$18 million in the second quarter of 2009. This increase was primarily due to a higher average grant date fair value in the second quarter of 2010 as compared to the second quarter of 2009.

Stock-based compensation expenses of \$23 million in the second quarter of 2010 increased \$3 million as compared to \$20 million in the first quarter of 2010. This increase was primarily due to more employee stock options and restricted stock units being granted in the second quarter of 2010 as part of the annual equity grant cycle as compared to the first quarter of 2010.

Stock-based compensation expenses of \$43 million in the first six months of 2010 increased \$4 million as compared to \$39 million in the first six months of 2009. This increase was primarily due to a higher average grant date fair value in the first six months of 2010 as compared to the first six months of 2009.

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International Sales

International sales as a percentage of net revenue were 88% in the second quarter of 2010, 87% in the second quarter of 2009 and 88% in the first quarter of 2010. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Substantially all of our sales transactions were denominated in U.S. dollars.

FINANCIAL CONDITION

Liquidity

As of June 26, 2010, our cash, cash equivalents and marketable securities were \$1.9 billion compared to \$2.7 billion as of December 26, 2009, of which \$904 million represented GF cash and cash equivalents. Without taking into account the GF financial position, our cash, cash equivalents and marketable securities position improved by \$124 million in the first six months of 2010 primarily as a result of cash provided by financing activities of \$201 million partially offset by cash used in operating activities of \$75 million. See “Financial Condition – Financing Activities” and “Financial Condition – Operating Activities,” below for additional information.

Commencing in the first quarter of 2010, our management started reviewing adjusted free cash flow as a supplemental measure of our performance. For the six months ended June 26, 2010, our adjusted free cash flow was \$253 million. Adjusted free cash flow is a non-GAAP measure, which we calculated by taking GAAP net cash used in operating activities for the six months ended June 26, 2010 of \$75 million and adding an amount of \$407 million, which represents payments made by certain of our distributor customers to IBM Credit LLC and certain of its subsidiaries (collectively, the IBM Parties) pursuant to an accounts receivable financing arrangement among AMD, certain AMD subsidiaries and the IBM Parties. We adjusted the resulting amount of \$332 million by subtracting capital expenditures, which were \$79 million for the first six months of 2010.

We have various supplier agreements with the IBM Parties pursuant to which we sold to the IBM Parties invoices of selected distributor customers. Because we do not recognize revenue until our distributors sell our products to their customers, under U.S. GAAP, we classify funds received from the IBM Parties as debt on the balance sheet. Moreover, for cash flow purposes, we classify these funds as cash flows from financing activities. When a distributor pays the applicable IBM Party, we reduce the distributor’s accounts receivable and the corresponding debt, resulting in a non-cash accounting entry. Because we do not receive the cash from the distributor to reduce the accounts receivable, the distributor’s payment is never reflected in our cash flows from operating activities.

Generally, under U.S. GAAP, the reduction in accounts receivable is assumed to be a source of operating cash flows. Therefore, we believe that treating the payments from our distributor customers to the IBM Parties as if we actually received the cash from the distributor and then used that cash to pay down the debt to the IBM Parties is more reflective of the economic substance of our financing arrangement with the IBM Parties. We calculate and communicate adjusted free cash flow because our management believes it is of importance to investors to understand the nature of these cash flows. Our calculation of adjusted free cash flow may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view adjusted free cash flow as an alternative to GAAP liquidity measures of cash flows from operating or financing activities.

We believe that cash, cash equivalents and marketable securities balances as of June 26, 2010, anticipated cash flow from operations and available external financing will be sufficient to fund operations, including capital expenditures over the next twelve months. We anticipate that aggregate consolidated capital expenditures for the remaining two quarters of 2010 will be approximately \$81 million.

On July 26, 2010 we announced the commencement of a cash tender offer for up to \$800 million in aggregate principal amount of our outstanding 6.00% Notes. We intend to finance the purchase of the 6.00% Notes tendered in the tender offer with the net proceeds from the August 2010 private offering of \$500 million aggregate principal amount of 7.75% senior notes due 2020 and existing cash.

We believe that in the event additional funding is required, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, given the possibility of changes in market conditions or other occurrences, we cannot assure that such funding will be available on terms favorable to us or at all.

Over the longer term, should additional funding be required, such as to meet payment obligations of our long-term debt when due, we may need to raise the required funds through borrowings or public or private sales of debt or equity securities, which may be issued from time to time under an effective registration statement, through the issuance of securities in a transaction exempt from registration under the Securities Act of 1933, or a combination of one or more of the foregoing. However, recent global market and economic conditions have been unprecedented and challenging, with tighter credit conditions and recession in most major economies. While global economic conditions have improved since the second half of 2009, there can be no assurance that conditions will continue to improve, and they could worsen. If market conditions do not continue to improve or deteriorate, it may limit our ability to access the capital markets to meet liquidity needs, on favorable terms or at all, resulting in adverse effects on our liquidity and financial condition, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs.

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Auction Rate Securities

As a result of the uncertainties in the credit markets all of our auction rate securities (ARS) were negatively affected and auctions for these securities have failed to settle on their respective settlement dates. While many of these securities continue to be illiquid, there have been no defaults, and we have received all interest payments as they became due.

As of June 26, 2010, the par value of our ARS was \$117 million, with an estimated fair value of \$108 million. This amount includes approximately \$44 million par value (\$39 million fair value) of non-UBS student loan ARS, \$37 million par value (\$34 million fair value) of municipal and corporate ARS and \$36 million par value (\$35 million fair value) of UBS student loan ARS. Total ARS, at fair value, represented 6% of our total investment portfolio as of June 26, 2010.

In October 2008, UBS AG (UBS) offered to repurchase all of the ARS that we purchased from UBS prior to February 13, 2008. We accepted this offer. From June 30, 2010 through July 2, 2012, we have the right, but not the obligation, to sell, at par, these ARS to UBS. As of June 26, 2010, these securities are classified as marketable securities. In addition, UBS redeemed at par \$25 million and \$33 million of these ARS during the second quarter and first six months of 2010, respectively.

During the second quarter of 2010, the issuers tendered \$15 million par value of the non-UBS student loan ARS for \$14 million. The net carrying amount of these ARS was \$13 million and we recorded a gain of approximately \$1 million in other income (expense), net. Given these tender activities, and the fact that the secondary market for these securities has become more liquid and with pricing generally similar to our carrying value, we reclassified the remaining holdings of our non-UBS student loan ARS with carrying value of \$39 million (par value \$44 million) from other assets to marketable securities during the second quarter of 2010. We have the intent and believe we have the ability to sell these securities within the next 12 months.

Operating Activities

Net cash used in operating activities was \$75 million in the first six months of 2010. Net income of \$214 million was adjusted for non-cash charges consisting primarily of \$303 million from the application of the equity method of accounting for our investment in GF, \$200 million of depreciation and amortization expense, \$43 million of stock-based compensation expense, and \$17 million of interest expense related to our 6.00% Notes and 8.125% Notes. These charges were offset by a one-time, non-cash gain of \$325 million related to the deconsolidation of GF, a net gain on sale of marketable securities of \$8 million and amortization of foreign grants of \$4 million. The net changes in operating assets at June 26, 2010 compared to December 26, 2009 included an increase in accounts receivable of \$388 million, which included the non-cash impact of our financing arrangements with the IBM Parties. During the first six months of 2010, the IBM Parties collected approximately \$407 million from our distributor customers pursuant to these arrangements. Without considering the collection by the IBM Parties of the accounts receivables that we sold to them, our accounts receivables decreased \$19 million. This decrease was primarily due to timing of sales and collections during the first six months of 2010. Excluding the effects of deconsolidation, there was also an increase in accounts payable, accrued liabilities and other of \$4 million, primarily due to the timing of interest payments and restructuring payments. Accounts payable to GF decreased by \$63 million due to the timing of payments during the first six months of 2010.

Net cash used in operating activities was \$535 million in the first six months of 2009. Net loss of \$749 million was adjusted for non-cash charges consisting primarily of \$562 million of depreciation and amortization expense, \$40 million of stock-based compensation expense and \$46 million of interest expense, primarily related to GF's Class A Notes and Class B Notes. These charges were offset by a net gain of \$114 million related to our repurchase of an aggregate of \$158 million principal amount of our 6.00% Notes for \$57 million in cash and \$15 million principal amount of our 5.75% Notes for \$9 million in cash, a gain of \$28 million from the sale of certain Handheld assets and \$53 million related to the amortization of foreign grants and allowance income. The net changes in operating assets at June 27, 2009 compared to December 27, 2008 included an increase in accounts receivable of \$295 million which includes the non-cash impact of our financing arrangement with the IBM Parties. During the six months ended June 27, 2009, the IBM Parties collected approximately \$251 million from our distributor customers pursuant to these arrangements. Without considering the collection by the IBM Parties of the accounts receivables that we sold to them, our accounts receivables increased \$44 million primarily due to timing of sales and collections within the first six months of 2009. There was also a decrease in accounts payable and accrued liabilities of \$181 million, primarily due to lower purchases reflecting the effect of our cost cutting efforts.

Investing Activities

Net cash used in investing activities was \$699 million in the first six months of 2010. The cash flow effect of the deconsolidation of GF was \$904 million. In addition, we had a net cash outflow of \$79 million for purchases of property, plant and equipment partially offset by a net cash inflow of \$241 million from the sale of available-for-sale securities and \$25 million from the sale of trading securities.

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Net cash used in investing activities was \$496 million in the first six months of 2009 primarily as a result of a net cash outflow of \$364 million for the purchase of available-for-sale securities and \$196 million used to purchase property, plant and equipment, of which \$164 million related to property, plant and equipment attributable to the Foundry segment. This was partially offset by \$58 million of proceeds from sale of certain Handheld assets.

Financing Activities

Net cash provided by financing activities was \$201 million in the first six months of 2010 primarily as a result of proceeds of \$394 million from our financing arrangements with the IBM Parties, \$30 million from a revolving credit facility entered into between our subsidiary, AMD Products (China) Co. Ltd., and China Merchant Bank (AMD China Revolving Credit Line), \$11 million of grants from the Canadian government for research and development activities related to our Fusion products and \$7 million from the exercise of employee stock options. These amounts were partially offset by payments of \$209 million to repurchase \$216 million aggregate principal amount of our 6.00% Notes and \$30 million to the lender under the AMD China Revolving Credit Line.

Net cash provided by financing activities was \$2 billion in the first six months of 2009 primarily as a result of proceeds of \$2.1 billion from the issuance of GF's Class A Notes, Class B Notes, Class A Preferred Shares and Class B Preferred Shares, of which \$1.4 billion constituted cash proceeds to GF, proceeds of \$254 million from our financing arrangements with the IBM Parties, proceeds of \$125 million from the sale of 58 million shares of AMD common stock and warrants to purchase 35 million shares of AMD common stock at an exercise price of \$0.01 per share to West Coast Hitech. L.P. (WCH) in connection with the closing of the GF manufacturing joint venture, and proceeds from grants and allowances from the Federal Republic of Germany and the State of Saxony of \$39 million for GF's Dresden manufacturing facilities. These amounts were partially offset by payments to Leipziger Messe of \$180 million to repurchase its partnership interests in AMD Fab 36 KG, \$67 million related to the guaranteed rate of return on those partnership interests and \$10 million related to a call option premium to Leipziger Messe for the early repurchase of its partnership interests. Net cash provided by financing activities was also partially offset by payments of \$57 million to repurchase \$158 million principal amount of our 6.00% Notes and \$9 million to repurchase \$15 million principal amount of our 5.75% Notes.

During the first six months of 2010 and the first six months of 2009, we did not realize any excess tax benefit related to stock-based compensation. Therefore, we did not record any related financing cash flows.

Contractual Obligations

The following table summarizes our consolidated principal contractual cash obligations, as of June 26, 2010, and is supplemented by the discussion following the table:

Contractual Obligations

	Payment due by period						2015 and beyond
	Total	Remaining 2010	2011	2012	2013	2014	
	(In millions)						
5.75% Convertible Senior Notes due 2012	\$ 485	\$ —	\$ —	\$485	\$ —	\$ —	\$ —
6.00% Convertible Senior Notes due 2015 ⁽¹⁾	1,580	—	—	—	—	—	1,580
8.125% Senior Notes due 2017 ⁽¹⁾	500	—	—	—	—	—	500
AMD China Revolving Credit Line	15	15	—	—	—	—	—
Other long-term liabilities	37	—	17	15	3	1	1
Aggregate interest obligation ⁽²⁾	925	82	163	154	135	135	256
Capital lease obligations ⁽³⁾	39	3	5	6	6	6	13
Operating leases	183	27	30	25	22	20	59
Purchase obligations ⁽⁴⁾	449	341	55	38	15	—	—
Total contractual obligations ⁽⁵⁾	<u>\$4,213</u>	<u>\$ 468</u>	<u>\$270</u>	<u>\$723</u>	<u>\$181</u>	<u>\$162</u>	<u>\$2,409</u>

(1) Represents aggregate par value of the notes, without the effect of associated discounts.

(2) Represents estimated aggregate interest obligations for our outstanding debt obligations that are payable in cash, excluding capital lease obligations. Also excludes non-cash amortization of debt discounts on the 8.125% Notes and the 6.00% Notes.

(3) Includes principal and imputed interest.

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- (4) We have purchase obligations for goods and services where payments are based, in part, on volume or type of services we require. In those cases, we only included the minimum volume of purchase obligations in the table above. Also, purchase orders for goods and services that are cancelable upon notice and without significant penalties are not included in the amounts above. This amount does not include estimates of future obligations beyond 2013 or our future obligations to GF under the wafer supply agreement, which we expect will continue to be material. See "Purchase Obligations," below.
- (5) Does not include \$500 million of 7.75% Senior Notes due 2020 that we issued on August 4, 2010 or the impact of the cash tender offer we commenced on July 26, 2010 for up to \$800 million of our 6.00% Notes, which we expect to close on August 20, 2010.

5.75% Convertible Senior Notes due 2012

On August 14, 2007, we issued \$1.5 billion aggregate principal amount of 5.75% Notes. The 5.75% Notes are our general unsecured senior obligations. Interest is payable in arrears on February 15 and August 15 of each year beginning February 15, 2008 until the maturity date of August 15, 2012. The terms of the 5.75% Notes are governed by an Indenture (the 5.75% Indenture), dated as of August 14, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee.

In 2009, we repurchased \$1,015 million in aggregate principal amount of our outstanding 5.75% Notes for \$1,002 million in cash. As of June 26, 2010, the remaining outstanding aggregate principal amount of our 5.75% Notes was \$485 million.

The 5.75% Notes will be convertible, in whole or in part, at any time prior to the close of business on the business day immediately preceding the maturity date of the 5.75% Notes, into shares of our common stock based on an initial conversion rate of 49.6771 shares of common stock per \$1,000 principal amount of the 5.75% Notes, which is equivalent to an initial conversion price of approximately \$20.13 per share. This initial conversion price represents a premium of 50% relative to the last reported sale price of our common stock on August 8, 2007 (the trading date preceding the date of pricing of the 5.75% Notes) of \$13.42 per share. This initial conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 5.75% Indenture) of AMD under certain circumstances. Holders of the 5.75% Notes may require us to repurchase the 5.75% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change (as defined in the 5.75% Indenture) or a termination of trading (as defined in the 5.75% Indenture). Additionally, an event of default (as defined in the 5.75% Indenture) may result in the acceleration of the maturity of the 5.75% Notes.

The 5.75% Notes rank equally in right of payment with our existing and future senior debt and senior in right of payment to all of our future subordinated debt. The 5.75% Notes rank junior in right of payment to all our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the remaining amount of our 5.75% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued \$2.2 billion aggregate principal amount of 6.00% Notes. The 6.00% Notes are our general unsecured senior obligations. Interest is payable on May 1 and November 1 of each year beginning November 1, 2007 until the maturity date of May 1, 2015. The terms of the 6.00% Notes are governed by an Indenture (the 6.00% Indenture) dated April 27, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee.

In 2008 and 2009, we repurchased \$60 million and \$344 million, respectively in principal amount of our 6.00% Notes for \$21 million and \$161 million, respectively. In the first six months of 2010, we repurchased \$216 million in aggregate principal amount of our 6.00% Notes for \$209 million. As of June 26, 2010, the remaining outstanding aggregate principal amount of our 6.00% Notes was \$1,580 million.

On July 26, 2010 we announced the commencement of a cash tender offer for up to \$800 million in aggregate principal amount of our outstanding 6.00% Notes. We intend to finance the purchase of the 6.00% Notes tendered in the tender offer with the net proceeds from the August 2010 private offering of \$500 million aggregate principal amount of 7.75% senior notes due 2020 and existing cash.

The tender offer will expire at 12:00 midnight, New York City time, on August 20, 2010, unless extended or earlier terminated by us. Holders who validly tender, and do not validly withdraw, their 6.00% Notes on or prior to the expiration date will be entitled to receive \$1,000 for each \$1,000 principal amount of 6.00% Notes purchased in the tender offer, plus accrued and unpaid interest to, but not including, the date of payment for the 6.00% Notes accepted for payment. Tenders of 6.00% Notes must be made on or prior to the expiration date, and 6.00% Notes may be withdrawn at any time on or prior to the expiration date.

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To the extent that acceptances of all validly tendered notes would require us to purchase more than \$800 million in aggregate principal amount of 6.00% Notes in connection with the tender offer, we will allocate acceptances on a pro rata basis among the tendering holders. The tender offer is contingent upon the satisfaction of certain conditions. Full details of the terms and conditions of the tender offer are included in the Offer to Purchase, dated July 26, 2010, and our Schedule TO which have been filed with the Securities and Exchange Commission.

Upon the occurrence of certain events described in the 6.00% Indenture, the 6.00% Notes will be convertible into cash up to the principal amount, and if applicable, into shares of our common stock issuable upon conversion of the 6.00% Notes in respect of any conversion value above the principal amount, based on an initial conversion rate of 35.6125 shares of common stock per \$1,000 principal amount of 6.00% Notes, which is equivalent to an initial conversion price of \$28.08 per share. This initial conversion price represents a premium of 100% relative to the last reported sale price of our common stock on April 23, 2007 (the trading date preceding the date of pricing of the 6.00% Notes) of \$14.04 per share. The conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 6.00% Indenture) under certain circumstances. Holders of the 6.00% Notes may require us to repurchase the 6.00% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change or a termination of trading (as defined in the 6.00% Indenture). Additionally, an event of default (as defined in the 6.00% Indenture) may result in the acceleration of the maturity of the 6.00% Notes.

The 6.00% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 6.00% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the balance of our 6.00% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

8.125% Senior Notes Due 2017

On November 30, 2009, we issued \$500 million of 8.125% Notes at a discount of 10.204%. The 8.125% Notes are our general unsecured senior obligations. Interest is payable on June 15 and December 15 of each year beginning June 15, 2010 until the maturity date of December 15, 2017. The discount of \$51 million is recorded as contra debt and will be amortized to interest expense over the life of the 8.125% Notes using the effective interest method. The 8.125% Notes are governed by the terms of an indenture (the 8.125% Indenture) dated November 30, 2009 between us and Wells Fargo Bank, National Association, as trustee.

At any time (which may be more than once) before December 15, 2012, we can redeem up to 35% of the aggregate principal amount of the 8.125% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price equal to not greater than 108.125% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. Prior to December 15, 2013, we may redeem some or all of the 8.125% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a "make whole" premium (as defined in the 8.125% Indenture).

From December 15, 2013, we may redeem the 8.125% Notes for cash at the following specified prices plus accrued and unpaid interest:

<u>Period</u>	<u>Price as Percentage of Principal Amount</u>
Beginning on December 15, 2013 through December 14, 2014	104.063%
Beginning on December 15, 2014 through December 14, 2015	102.031%
and On December 15, 2015 thereafter	100.000%

Holders have the right to require us to repurchase all or a portion of our 8.125% Notes in the event that we undergo a change of control, as defined in the indenture governing the 8.125% Notes (the 8.125% Indenture) at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 8.125% Indenture) may result in the acceleration of the maturity of the 8.125% Notes.

The 8.125% Indenture contains certain covenants that limit, among other things, our ability and the ability of our subsidiaries, from:

- incurring additional indebtedness, except specified permitted debt;
- paying dividends and making other restricted payments;
- making certain investments if an event of a default exists, or if specified financial conditions are not satisfied;

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- creating or permitting certain liens;
- creating or permitting restrictions on the ability of our subsidiaries to pay dividends or make other distributions to us;
- using the proceeds from sales of assets;
- entering into certain types of transactions with affiliates; and
- consolidating, merging or selling our assets as an entirety or substantially as an entirety.

We may elect to purchase or otherwise retire the 8.125% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

7.75% Senior Notes Due 2020

On August 4, 2010, we issued \$500 million of 7.75% Senior Notes due 2020 (the 7.75% Notes). The 7.75% Notes are our general unsecured senior obligations. Interest is payable on February 1 and August 1 of each year beginning February 1, 2011 until the maturity date of August 1, 2020. The 7.75% Notes are governed by the terms of an indenture (the 7.75% Indenture) dated August 4, 2010 between us and Wells Fargo Bank, National Association, as trustee. We intend to use the net proceeds from this offering of approximately \$490 million, along with existing cash, to purchase up to \$800 million of our 6.00% Notes validly tendered pursuant to our tender offer for such notes, as described above.

At any time (which may be more than once) before August 1, 2013, we can redeem up to 35% of the aggregate principal amount of the 7.75% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price equal to not greater than 107.75% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. Prior to August 1, 2015, we may redeem some or all of the 7.75% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a “make whole” premium (as defined in the 7.75% Indenture).

From August 1, 2015, we may redeem the 7.75% Notes for cash at the following specified prices plus accrued and unpaid interest:

<u>Period</u>	<u>Price as Percentage of Principal Amount</u>
Beginning on August 1, 2015 through July 31, 2016	103.875%
Beginning on August 1, 2016 through July 31, 2017	102.583%
Beginning on August 1, 2017 through July 31, 2018 and on August 1, 2018 thereafter	101.292% 100.000%

Holders have the right to require us to repurchase all or a portion of our 7.75% Notes in the event that we undergo a change of control, as defined in the 7.75% Indenture at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 7.75% Indenture) may result in the acceleration of the maturity of the 7.75% Notes.

The 7.75% Indenture contains certain covenants that limit, among other things, our ability and the ability of our subsidiaries, from:

- incurring additional indebtedness, except specified permitted debt;
- paying dividends and making other restricted payments;
- making certain investments if an event of a default exists, or if specified financial conditions are not satisfied;
- creating or permitting certain liens;
- creating or permitting restrictions on the ability of our subsidiaries to pay dividends or make other distributions to us;
- using the proceeds from sales of assets;
- entering into certain types of transactions with affiliates; and
- consolidating, merging or selling our assets as an entirety or substantially as an entirety.

We may elect to purchase or otherwise retire the 7.75% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

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The agreements governing our 5.75% Notes, 6.00% Notes, 8.125% Notes and 7.75% Notes contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

Other Long-Term Liabilities

Other long-term liabilities in the contractual obligations table above include \$20 million related to employee benefit obligations and \$17 million of payments due under certain software and technology licenses that will be paid through 2013 and 2015, respectively.

Other long-term liabilities exclude amounts recorded on our condensed consolidated balance sheet that do not require us to make cash payments, which as of June 26, 2010, primarily consisted of \$21 million of deferred gains resulting from the sale and leaseback of certain of our facilities. Other long-term liabilities also exclude \$94 million of non-current unrecognized tax benefits, which are included in the caption "Other long-term liabilities" on our condensed consolidated balance sheet at June 26, 2010. Included in the non-current unrecognized tax benefits is a potential cash payment of approximately \$3 million that could be payable by us upon settlement with a taxing authority. We have not included this amount in the contractual obligations table above as we cannot make a reasonably reliable estimate regarding the timing of any settlement with the respective taxing authority, if any.

Capital Lease Obligations

As of June 26, 2010, we had aggregate outstanding capital lease obligations of \$31 million for one of our facilities in Canada, which is payable in monthly installments through 2017.

Operating Leases

We lease certain of our facilities, including our executive offices in Sunnyvale, California, and in some jurisdictions we lease the land on which these facilities are built, under non-cancelable lease agreements that expire at various dates through 2018. Certain manufacturing and office equipment is leased for terms ranging from 1 to 5 years. Total future non-cancelable lease obligations as of June 26, 2010 were \$183 million, of which \$20 million is accrued as a liability for certain facilities that were included in our 2002 and 2008 restructuring plans. These payments will be made through 2012.

Purchase Obligations

Total non-cancelable purchase obligations as of June 26, 2010 were \$449 million for periods through 2013. These purchase obligations primarily include our obligations to purchase wafers and substrates from third parties. However, this amount does not include our purchase obligations to GF under the wafer supply agreement. We are not able to meaningfully quantify or estimate our purchase obligations beyond 2013. We currently estimate that we will pay GF approximately \$1.5 billion through the end of the second quarter of 2011 for wafer purchases and reimbursement for research and development under the wafer supply agreement. This estimate is based on current demand expectations which can change. We are not able to meaningfully quantify or estimate our purchase obligations to GF beyond the next twelve months, but we expect that our future purchases from GF will continue to be material.

Receivable Financing Arrangement

The contractual obligations table above excludes the amounts we received in connection with our accounts receivable financing arrangement with the IBM Parties because we are not required to make cash payments pursuant to the terms of the arrangement. For the first six months of 2010, we received proceeds of approximately \$394 million from the IBM Parties, and the IBM Parties collected approximately \$407 million from our distributor customers participating in the program. As of June 26, 2010, \$143 million was outstanding under these agreements governing the accounts receivable financing arrangement. This amount appears in "Other short-term obligations" on our condensed consolidated balance sheets.

Off-Balance Sheet Arrangements

Guarantees of Indebtedness Not Recorded on our Condensed Consolidated Balance Sheet

Fab 36 Guarantee

In connection with the consummation of the GF manufacturing joint venture transaction on March 2, 2009, the terms of the 700 million euro Term Loan Facility Agreement among AMD Fab 36 Limited Liability Company & Co. KG, as borrower, and a consortium of banks led by Dresdner Bank AG, as lenders, and other related agreements (collectively, the Fab 36 Loan Agreements) were amended to allow for the transfer of our former 300-millimeter wafer fabrication facility and its affiliated companies to GF. In addition, we also amended the terms of the related guarantee agreement such that AMD and GF are joint guarantors of the borrower's obligations to the lenders under the Fab 36 Loan Agreements. However, if we are called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify us for the full amount of such payments. As of June 26, 2010, the total

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amount outstanding under the Fab 36 Term Loan was \$321 million, and the rate of interest on the loan was 2.3%. This loan is repayable by GF in quarterly installments which terminate in March 2011. As of June 26, 2010, we were in compliance with our covenants under the guarantee agreement.

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. AMTC provides advanced photomasks for use in manufacturing our microprocessors. As of December 26, 2009, the joint venture limited partners were AMD and Toppan Printing Co., Ltd. Qimonda AG, who had been one of the limited partners in these joint ventures, was expelled in March 2009 because of its commencement of insolvency proceeding in January 2009.

In January 2010, we signed binding agreements to transfer our limited partnership interests in the AMTC and BAC to GF. On March 31, 2010, our limited partnership interests in AMTC and BAC were effectively transferred to an affiliate of GF. Concurrent with the transfer, the BAC term loan and the AMTC revolving credit facility along with related documents were amended. In connection with the amendments to the BAC term loan, AMTC assumed all of Toppan Photomasks Germany GmbH's (Toppan Germany) rental obligations and became the sole lessee of the BAC facility. Pursuant to the amended AMTC rental contract guarantee, we, Toppan Germany and GF guarantee AMTC's rental obligations relating to a portion of the BAC facility. The remaining portion of the BAC facility is subject to a separate lease agreement, whereby Toppan Germany and GF agree to guarantee AMTC's payment obligations to the BAC. Our portion of the guarantee corresponds with our exposure under the initial guarantee agreement and is made on a joint and several basis with GF. Moreover, GF has separately agreed to indemnify us under certain circumstances if it is called upon to make any payments under the AMTC rental contract guarantee. As of June 26, 2010, the joint and several guarantee of the rental obligation was \$8 million.

In connection with the amendment to the AMTC revolving credit facility, the guarantee agreement was amended so that we and GF are joint and several guarantors of 50% of AMTC's outstanding loan balance under the AMTC revolving credit facility. In the event we are called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify us so long as certain conditions are met. As of June 26, 2010, the amount outstanding under this loan was \$43 million and the joint and several guarantee obligations were \$22 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to "Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended December 26, 2009. There have not been any significant changes in market risk since December 26, 2009.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 26, 2010, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There was no change in our internal controls over financial reporting during our second quarter of 2010 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

AMD v. Samsung Electronics Co. et al

On February 19, 2008, AMD and ATI filed a complaint against Samsung Electronics Co., Ltd. (Samsung) and related Samsung entities alleging infringement of six AMD patents. The complaint was amended in May 2008 to add a seventh patent and also to add two additional Samsung entities as defendants to the suit. The case is filed in U.S. District Court, Northern District of California. The AMD patents generally relate to semiconductors, semiconductor memory, and related products. We are seeking damages and injunctive relief. Samsung filed an answer and counterclaims on May 15, 2008, alleging infringement by AMD and/or ATI of six Samsung patents. The Samsung patents generally relate to semiconductor fabrication and design. Samsung is seeking damages and injunctive relief. We filed our answer to Samsung's counterclaims on August 1, 2008.

On March 19, 2009, Samsung filed a motion for partial summary judgment, arguing that one of the seven patents asserted by AMD was invalid. On June 24, 2009 the Court denied Samsung's motion for partial summary judgment. The Court issued its claims construction order on September 17, 2009. On April 2, 2010, Samsung filed a second motion for partial summary judgment, arguing that one of the seven patents asserted by AMD was not infringed. On April 6, 2010, the Court granted Samsung's motion to voluntarily dismiss its claims as to one of its patents, reducing the number of Samsung patents in suit from six to five. On April 21, 2010, AMD filed a motion for partial summary judgment, arguing that two of Samsung's remaining five patents were not infringed. On June 8, 2010, AMD filed a second motion for partial summary judgment, arguing that another of Samsung's remaining five patents was not infringed. On July 1, 2010, Samsung filed a third motion for partial summary judgment, arguing that one of AMD's patents was not infringed. AMD's opposition brief was filed on July 23, 2010. The scheduled trial date is January 24, 2011.

OPTi v. AMD.

OPTi v. AMD et al.

Settlement of these litigation matters was finalized, and the lawsuits have been dismissed.

ITEM 1A. RISK FACTORS

This description of our business risk factors includes any material changes to and supersedes risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 26, 2009, and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.

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

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

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. As a result of Intel's dominant position in the microprocessor market, Intel has been able to control x86 microprocessor and computer system standards and benchmarks and to dictate the type of products the microprocessor market requires of us. Intel also dominates the computer system platform, which includes core logic chipsets, graphics chips, motherboards and other components necessary to assemble a computer system. OEMs that purchase microprocessors for computer systems are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. Additionally, Intel is able to drive de facto standards for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

Intel also manufactures and sells integrated graphics chipsets bundled with their microprocessors and is a dominant competitor with respect to this portion of our business. Intel leverages its dominance in the microprocessor market to sell its integrated chipsets. Moreover, computer manufacturers are increasingly using integrated graphics chipsets rather than discrete graphics components, particularly for notebooks, because they cost less than traditional discrete graphics components while offering satisfactory graphics performance for most mainstream PCs. Intel could also take actions that place our discrete GPUs at a competitive disadvantage, including giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information.

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

As long as Intel remains in this dominant position, we may be materially adversely affected by Intel's:

- business practices, including rebating and allocation strategies and pricing actions, designed to limit our market share and margins;
- product mix and introduction schedules;

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- product bundling, marketing and merchandising strategies;
- exclusivity payments to its current and potential customers and channel partners;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, memory, chipset and basic input/output system, or BIOS, suppliers and software companies as well as the graphics interface for Intel platforms; and
- marketing and advertising expenditures in support of positioning the Intel brand over the brand of its OEM customers.

Intel's dominant position in the microprocessor market and integrated graphics chipset market, its existing relationships with top-tier OEMs and its aggressive marketing and pricing strategies could result in lower unit sales and a lower average selling price for our products, which could have a material adverse effect on us.

The success of our business is dependent upon our ability to introduce products on a timely basis with required features and performance levels that provide value to our customers and support and coincide with significant industry transitions.

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop and qualify new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. For example, computer systems with our AMD Fusion products, codenamed "Ontario" and "Llano," are expected to be available in the market in 2011. Platforms embodying these new Fusion accelerated processing units will embody a new processor architecture which integrates the CPU and GPU on a single die. If we fail to or are delayed in developing or qualifying new products or technologies, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products.

Delays in developing or qualifying new products can also cause us to miss our customers' product design windows. If our customers do not include our products in the initial design of their computer systems, they will typically not use our products in their systems until at least the next design configuration. The process of being qualified for inclusion in a customer's system can be lengthy and could cause us to further miss a cycle in the demand of end-users, which also could result in a loss of market share and harm our business.

Moreover, market demand requires that products incorporate new features and performance standards on an industry-wide basis. Over the life of a specific product, the average selling price undergoes regular price reductions. The introduction of new products and enhancements to existing products is necessary to maintain an overall corporate average selling price. If we are unable to introduce new products with sufficient increases in average selling price or increased unit sales volumes capable of offsetting these reductions in the average selling price of existing products, our revenues, inventories, gross margins and operating results could be materially adversely affected.

We rely on GF to manufacture some of our products, and if GF is unable to manufacture our products on a timely basis and on competitive process technologies or to meet our capacity requirements, our business could be materially adversely affected.

We rely on GF to manufacture some of our products. If GF is unable to remain competitive using advanced process technologies or is unable to manufacture our products on a timely basis or meet our capacity requirements, our business could be materially adversely affected. For example, GF will manufacture certain of our Fusion products using 32 nanometer process technology. GF has experienced delays in transitioning to 32 nanometer process technology, which will delay the introduction of certain Fusion products. If GF continues to experience delays or difficulties transitioning to 32 nanometer process technology, our business could be materially adversely affected. If we are unable to obtain sufficient supply from GF, we would have to move production of our products to new manufacturers, which could result in significant delays. In January 2010, GF announced that it is integrating operations with Chartered. With Chartered, GF significantly expanded its customer base to over 150 customers. Although GF manufacturing capacity also increased, the integration process and the increased customer base could lead to delays or disruptions in manufacturing our products, which could materially adversely impact our business.

Moreover, if GF suffers any damage to its facilities, is unable to secure necessary raw materials from its suppliers, loses benefits under its material agreements such as its joint development agreement with IBM, is unable to obtain funding from ATIC under the Funding Agreement or otherwise, experiences power outages, lacks sufficient capacity to manufacture our products, encounters financial difficulties or suffers any other disruption or reduction in efficiency of foundry capacity, we may encounter supply delays or disruptions, which could materially adversely impact our business.

In addition, pursuant to the wafer supply agreement between us and GF, we compensate GF on a cost plus-basis, which can result in increased per unit manufacturing costs for AMD compared to manufacturing wafers in-house. Although this cost-plus arrangement did not impact our consolidated financial statements while we were consolidating the financial results of GF, as of December 27, 2009, we no longer consolidate the financial results of GF, and this cost-plus arrangement may have a negative impact on our reported gross margins. If GF fails to operate at a competitive cost level, our business could be materially adversely affected.

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Failure to achieve expected manufacturing yields for our products could negatively impact our financial results.

Semiconductor manufacturing yields are a result of both product design and process technology, which is typically proprietary to the manufacturer, and low yields can result from either design or process technology failures. GF and other third-party foundries are responsible for the process technologies used to manufacture our products. We cannot be certain that GF or other third-party foundries will be able to develop, obtain or successfully implement leading-edge process technologies needed to manufacture future generations of our products profitably or on a timely basis or that our competitors will not develop new technologies, products or processes earlier. During periods when foundries are implementing new process technologies, their manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller process technologies could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies before us. For example, GF will manufacture certain of our Fusion products using 32 nanometer process technology. GF has experienced delays in transitioning to 32 nanometer process technology, which will delay the introduction of certain Fusion products. If GF continues to experience delays or difficulties transitioning to 32 nanometer process technology, our business could be materially adversely affected. Moreover, if GF continues to experience manufacturing inefficiencies or other third-party foundries experience manufacturing inefficiencies, we may fail to achieve acceptable yields or experience product delivery delays. Any decrease in manufacturing yields could result in an increase in per unit costs or force us to allocate our reduced product supply among our customers, which could potentially harm our relationships with our customers and reputation and materially adversely affect our financial results.

The under-utilization of GF manufacturing facilities may increase our per unit costs and may have a material adverse effect on us.

It is difficult to predict future growth or decline in the demand for our products, making it difficult to forecast our requirements accurately. If our target markets do not grow, we may under-utilize GF manufacturing facilities. Because of our commitments to GF, during periods in which we under-utilize GF manufacturing facilities as a result of reduced demand for our microprocessor products, we may not be able to reduce our costs in proportion to the reduced revenues for such a period. If this occurs, our operating results will be materially adversely affected.

We rely on third-party foundries and other contractors to manufacture our graphics and chipset products.

In addition to relying on GF to manufacture our microprocessor products, we currently rely on other independent foundries. We also rely on third-party manufacturers to manufacture our high end graphics boards. Independent contractors perform the assembly, testing and packaging of these products. In some cases, we do not have long-term commitment contracts with some of our independent contractors. We obtain these manufacturing services for our graphics and chipset products on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product. Accordingly, our graphics business depends on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields and to deliver those products to us on a timely basis at acceptable prices. We cannot assure you that these manufacturers will be able to meet our near-term or long-term manufacturing requirements. For example, we have experienced constrained wafer foundry capacity for our latest generation graphics products that we introduced in the second half of 2009 and the first half of 2010. If we continue to experience supply constraints, we may be required to allocate these products among our customers. The manufacturers we use also fabricate wafers and assemble, test and package products for other companies, including certain of our competitors. They could choose to prioritize capacity for other users, increase the prices that they charge us on short notice or reduce or eliminate deliveries to us, which could have a material adverse effect on our business. Other risks associated with our dependence on third-party manufacturers, include limited control over delivery schedules and quality assurance, lack of capacity in periods of excess demand, misappropriation of our intellectual property, dependence on several small undercapitalized subcontractors, exposure to foreign operations, limited ability to manage inventory and parts, and exposure to political and economic uncertainties of foreign countries. If we are unable to secure sufficient or reliable supplies of wafers, our ability to meet customer demand for our graphics business may be adversely affected and this could materially affect our business.

It is important to have reliable relationships with our wafer manufacturers and subcontractors to ensure adequate product supply to respond to customer demand. If we move production of our products to new manufacturers or if current manufacturers implement new process technology or design rules, any transition difficulties may result in lower yields or poorer performance of our products. Since it could take several quarters to establish a strategic relationship with a new manufacturing partner, we may be unable to secure an alternative supply for any specific product in a short time frame. We could experience significant delays in the shipment of our products if we are required to find alternative foundries or manufacturing partners, which could have a material adverse effect on our business.

The recent instability of the financial markets may adversely impact our business and operating results.

The recent economic crisis resulted in a tightening in the credit markets, lower levels of liquidity and increased volatility in credit, equity and fixed income markets. There is continued concern over the instability of the financial markets and their influence on the global economy. As a result, our current or potential future customers may experience cash flow problems and as a result may modify, delay or cancel plans to purchase our products. Additionally, if our customers are not successful in generating sufficient revenue or are unable to secure financing, they may not be able to pay, or may delay payment of, accounts receivable that they owe us. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, economic conditions may make it more difficult for us to raise funds through borrowings or private or public sales of debt or equity securities. The instability of the financial markets and their influence on the global economy may adversely impact our business and operating results.

Our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property.

In the design and development of new products and product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. The design requirements necessary to meet consumer demands for more features and greater functionality from semiconductor products in the future, may exceed the capabilities of the third-party development tools available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be materially adversely affected.

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We depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other computer platform components.

We depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other components that support our microprocessor offerings. Our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. If we are unable to secure sufficient support for our microprocessor products from designers and manufacturers of motherboards, our business would be materially adversely affected. If the designers, manufacturers and suppliers of motherboards and other components decrease their support for our product offerings, our business could be materially adversely affected.

If we lose Microsoft Corporation's support for our products, our ability to sell our products could be materially adversely affected.

Our ability to innovate beyond the x86 instruction set controlled by Intel depends partially on Microsoft designing and developing its operating systems to run on or support our microprocessor products. If Microsoft does not continue to design and develop its operating systems so that they work with our x86 instruction sets, independent software providers may forego designing their software applications to take advantage of our innovations and customers may not purchase PCs with our microprocessors. In addition, software drivers sold with our products are certified by Microsoft. If Microsoft did not certify a driver, or if we otherwise fail to retain the support of Microsoft, our ability to market our products would be materially adversely affected.

If we do not fully realize the anticipated benefits of our GF manufacturing joint venture, our business could be adversely impacted.

We anticipate realizing certain benefits to our business from the GF joint venture, including a more variable cost model and the ability to take advantage of, as a shareholder of GF, the shift by integrated device manufacturers to a fabless business model. We cannot assure you that our relationship with GF and ATIC will result in the full realization of these or any other benefits.

If we cannot generate sufficient revenues and operating cash flow or obtain external financing, we may face a cash shortfall and be unable to make all of our planned investments in research and development.

Although we make substantial investments in research and development, we cannot be certain that we will be able to develop, obtain or successfully implement new products and technologies on a timely basis. Our ability to fund research and development expenditures depends on generating sufficient cash flow from operations and the availability of external financing, if necessary. Our research and development expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may decrease our cash balances. If new competitors, technological advances by existing competitors or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline.

We regularly assess markets for external financing opportunities, including debt and equity financing. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. The health of the credit markets may adversely impact our ability to obtain financing when needed. In addition, any downgrades from credit rating agencies such as Moody's or Standard & Poor's may adversely impact our ability to get external financing or the terms of such financing. Credit agency downgrades may also impact relationships with our suppliers, who may limit our credit lines. Our inability to obtain needed financing or to generate sufficient cash from operations may require us to abandon projects or curtail planned investments in research and development. If we curtail planned investments in research and development or abandon projects, our products may fail to remain competitive and we would be materially adversely affected.

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

Our debt and capital lease obligations as of June 26, 2010 were \$2.6 billion, which reflects the debt discount adjustment on our 6.00% Notes and 8.125% Notes. This amount also includes approximately \$143 million related to our accounts receivable financing arrangement with the IBM Parties, which is not a cash obligation. On August 4, 2010, we issued \$500 million aggregate principal amount of 7.75% Notes. We intend to use the net proceeds of this offering to purchase up to \$800 million of our 6.00% Notes pursuant to our tender offer for the 6.00% Notes that we launched on July 26, 2010.

Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions, such as those that we are currently experiencing.

We may not be able to generate sufficient cash to service our debt obligations.

Our ability to make payments on and to refinance our debt will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, and is subject to prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We cannot assure you that we will be able to generate sufficient cash flow or that we will be able to borrow funds in amounts sufficient to enable us to service our debt or to meet our working capital requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, we may be required to sell assets or equity, reduce expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or equity or borrow more funds on terms acceptable to us, if at all.

Our debt instruments impose restrictions on us that may adversely affect our ability to operate our business.

The indentures governing our 8.125% Notes and 7.75% Notes contain various covenants which limit our ability to:

- incur additional indebtedness;
- pay dividends and make other restricted payments;
- make certain investments, including investments in our unrestricted subsidiaries;
- create or permit certain liens;
- create or permit restrictions on the ability of certain restricted subsidiaries to pay dividends or make other distributions to us;
- use the proceeds from sales of assets;
- enter into certain types of transactions with affiliates; and
- consolidate or merge or sell our assets as an entirety or substantially as an entirety.

In addition, the guarantee agreement related to the euro 700 Million Term Loan Facility that we transferred to GF contains restrictive covenants that require us to maintain specified financial ratios when group consolidated cash is below specified amounts. Our ability to satisfy these financial ratios and tests can be affected by events beyond our control. We cannot assure you that we will meet those requirements. A breach of any of these financial ratios or tests could result in a default under the Fab 36 Term Loan Agreement, which could cause the lenders to exercise their rights under the guarantee agreement.

The agreements governing our borrowing arrangements contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. For example, the occurrence of a default with respect to any indebtedness or any failure to repay debt when due in an amount in excess of \$50 million would cause a cross default under the indentures governing our 7.75% Notes, 8.125% Notes, 5.75% Notes and 6.00% Notes. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the note holders or the trustee under the indentures governing our 7.75% Notes, 8.125% Notes, 5.75% Notes or 6.00% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings and our other indebtedness.

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In the event of a change of control, we may not be able to repurchase our outstanding debt as required by the applicable indentures, which would result in a default under the indentures.

Upon a change of control, we will be required to offer to repurchase all of the 7.75% Notes and 8.125% Notes then outstanding at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date. Moreover, the indentures governing our 5.75% Notes and 6.00% Notes require us to offer to repurchase these securities upon certain change of control events. As of June 26, 2010, the aggregate outstanding principal amount of the outstanding 8.125% Notes, 5.75% Notes and 6.00% Notes was \$2.6 billion. On August 4, 2010, we issued \$500 million aggregate principal amount of 7.75% Notes. Future debt agreements may contain similar provisions. We may not have the financial resources to repurchase our indebtedness.

The loss of a significant customer may have a material adverse effect on us.

Collectively, our top five customers accounted for approximately 51% of our net revenue in the second fiscal quarter of 2010. We expect that a small number of customers will continue to account for a substantial part of revenues of our microprocessor and graphics businesses in the future. During the second fiscal quarter of 2010, five customers accounted for approximately 57% of the net revenue of our Computing Solutions segment and five customers accounted for approximately 50% of the net revenue of our Graphics segment. If one of our top microprocessor or graphics business customers decided to stop buying our products, or if one of these customers were to materially reduce its operations or its demand for our products, we would be materially adversely affected.

The semiconductor industry is highly cyclical and has experienced severe downturns that materially adversely affected, and may in the future materially adversely affect, our business.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in conjunction with constant and rapid technological change, wide fluctuations in supply and demand, continuous new product introductions, price erosion and declines in general economic conditions. We incurred substantial losses in recent downturns, due to:

- substantial declines in average selling price;
- the cyclical nature of supply/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products (such as PCs) that incorporate our products;
- excess inventory levels in the channels of distribution, including those of our customers; and
- excess production capacity.

The global economic crisis has also impacted the semiconductor market as consumers and businesses have deferred purchases, which negatively impacted demand for our products. Our financial performance has been, and may in the future be, negatively affected by these downturns.

The demand for our products depends in part on continued growth in the industries and geographies into which they are sold. Fluctuations in demand for our products or a market decline in any of these industries or geographies would have a material adverse effect on our results of operations.

Our business is dependent upon the market for desktop and notebook PCs and servers. In 2009 and 2008, a significant portion of our Computing Solutions revenue was related to desktop PCs. Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past, are currently affecting us and may materially adversely affect us in the future. As a result of macroeconomic challenges that recently affected the global economy, end user demand for PCs and servers decreased significantly. Although end-user PC demand has stabilized beginning in the second half of 2009, end-customers continue to demand value-priced products and spending by enterprises, despite some positive signals, has not rebounded to pre-recession levels. In addition, form factors have steadily shifted from desktop PCs to notebook PCs over the past three years, and we expect that this trajectory will continue.

The growth of our business is also dependent on continued demand for our products from high-growth global markets. If demand from these markets is below our expectations, sales of our products may decrease, which could have a material adverse effect on us.

The markets in which our products are sold are highly competitive.

The markets in which our products are sold are very competitive, and delivering the latest and best products to market on a timely basis is critical to achieving revenue growth. We expect competition to intensify due to rapid technological changes, frequent product introductions and aggressive pricing by competitors. We believe that the main factors that determine our product competitiveness are timely product introductions, product quality, power consumption (including battery life), reliability, selling price, speed, size (or form factor), cost, adherence to industry standards (and the creation of open industry standards), software and hardware compatibility and stability and brand awareness.

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Typically, after a product is introduced, costs and the average selling price normally decrease over time as production efficiency improves, and successive generations of products are developed and introduced for sale. As a result of the credit market crisis and other macroeconomic challenges that affected the global economy, end user demand for PCs and servers decreased significantly. Although end-user PC demand has stabilized beginning in the second half of 2009, consumers are focusing more on the price of PCs as a key factor in their buying decision. In turn, OEMs have applied pressure on semiconductor suppliers to reduce component prices, which has materially adversely affected the average selling price.

We expect that competition will continue to be intense in these markets and our competitors' products may be less costly, provide better performance or include additional features that render our products uncompetitive. For example, Intel is transitioning to 32 nanometer process technology before us. Using a more advanced process technology can contribute to lower product manufacturing costs and improve a product's performance and power efficiency. Some competitors may have greater access or rights to companion technologies, including interface, processor and memory technical information. Moreover, in order to stay competitive during challenging economic times, our competitors may heavily discount the selling price of their products. Competitive pressures could adversely impact the demand for our products, which could harm our revenue and gross margin.

Our operating results are subject to quarterly and seasonal sales patterns.

A substantial portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of revenues for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition. In addition, our operating results tend to vary seasonally. For example, demand in the retail sector of the PC market is often stronger during the fourth quarter as a result of the winter holiday season and weaker in the first quarter. European sales are often weaker during the summer months. Many of the factors that create and affect seasonal trends are beyond our control.

If essential equipment or materials are not available to manufacture our products, we could be materially adversely affected.

We purchase equipment and materials from a number of suppliers and our operations depend upon obtaining deliveries of adequate supplies of equipment and materials on a timely basis. From time to time, suppliers may extend lead times, limit supply to us or increase prices due to capacity constraints or other factors. Because some of the materials that we purchase are complex, it is difficult for us to substitute one supplier for another. Certain raw materials that are used in the manufacture of our products are available only from a limited number of suppliers.

For example, GF manufacturing of our microprocessor products is largely dependent on one supplier of our silicon-on-insulator (SOI) wafers. We also depend on a limited number of foreign companies to supply the majority of certain types of integrated circuit packages for our microprocessor products. Similarly, certain non-proprietary materials or components such as memory, PCBs, substrates and capacitors used in the manufacture of our graphics products are currently available from only a limited number of sources and are often subject to rapid changes in price and availability. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. Macroeconomic challenges, such as those that recently affected the global economy may impact our key suppliers who may reduce their output and become insolvent which may adversely impact our ability to procure key materials. If we are unable to procure certain of these materials, or our foundries are unable to procure materials for manufacturing our products, we would be materially adversely affected.

Our issuance to WCH of warrants to purchase 35,000,000 shares of our common stock, if and when exercised by WCH, will dilute the ownership interests of our existing stockholders, and the conversion of the remainder of our 5.75% Notes and 6.00% Notes may dilute the ownership interest of our existing stockholders.

The warrants issued to WCH became exercisable in July 2009. Any issuance by us of additional shares to WCH upon exercise of the warrants will dilute the ownership interests of our existing stockholders. Any sales in the public market by WCH of any shares owned by WCH could adversely affect prevailing market prices of our common stock, and the anticipated exercise by WCH of the warrants we issued to WCH could depress the price of our common stock.

Moreover, the conversion of our remaining 5.75% Notes and 6.00% Notes may dilute the ownership interests of our existing stockholders. The conversion of the 5.75% Notes and the 6.00% Notes could have a dilutive effect on our earnings per share to the extent that the price of our common stock exceeds the conversion price of the 5.75% Notes and 6.00% Notes. Any sales in the public market of our common stock issuable upon conversion of the 5.75% Notes or 6.00% Notes could adversely affect prevailing market prices of our common stock. In addition, the conversion of the 5.75% Notes or 6.00% Notes into cash and shares of our common stock could depress the price of our common stock.

If our products are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

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

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Costs related to defective products could have a material adverse effect on us.

Products as complex as those we offer may contain defects or failures when first introduced or when new versions or enhancements to existing products are released. We cannot assure you that, despite our testing procedures, errors will not be found in new products or releases after commencement of commercial shipments in the future, which could result in loss of or delay in market acceptance of our products, material recall and replacement costs, delay in recognition or loss of revenues, writing down the inventory of defective products, the diversion of the attention of our engineering personnel from product development efforts, defending against litigation related to defective products or related property damage or personal injury, and damage to our reputation in the industry and could adversely affect our relationships with our customers. In addition, we may have difficulty identifying the end customers of the defective products in the field. As a result, we could incur substantial costs to implement modifications to correct defects. Any of these problems could materially adversely affect us.

We could be subject to potential product liability claims if one of our products causes, or merely appears to have caused, an injury. Claims may be made by consumers or others selling our products, and we may be subject to claims against us even if an alleged injury is due to the actions of others. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could have a material adverse effect on our business.

Our receipt of royalty revenues is dependent upon being designed into third-party products and the success of those products.

Our graphics technology for game consoles is used in the Nintendo Wii and Microsoft Xbox 360 game consoles. The revenues that we receive from these products are in the form of non-recurring engineering fees charged for design and development services, as well as royalties paid to us by Nintendo and Microsoft. Our royalty revenues are directly related to the sales of these products and reflective of their success in the market. If Nintendo or Microsoft does not include our graphics technology in future generations of their game consoles, our revenues from royalties would decline significantly. Moreover, we have no control over the marketing efforts of Nintendo and Microsoft and we cannot make any assurances that sales of those products will achieve expected levels in the current or future fiscal years. Consequently, the revenues from royalties expected by us from these products may not be fully realized, and our operating results may be adversely affected.

Our inability to continue to attract and retain qualified personnel may hinder our product development programs.

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

If we fail to maintain the efficiency of our supply chain as we respond to increases or changes in customer demand for our products, our business could be materially adversely affected.

Our ability to meet customer demand for our products depends, in part, on our ability to deliver the products our customers want on a timely basis. Accordingly, we rely on our supply chain for the manufacturing, distribution and fulfillment of our products. As we continue to grow our business, acquire new OEM customers and strengthen relationships with existing OEM customers, the efficiency of our supply chain will become increasingly important because OEMs tend to have specific requirements for particular products, and specific time-frames in which they require delivery of these products.

We outsource to third parties certain supply-chain logistics functions, including portions of our product distribution and transportation management, and co-source some information technology services.

We rely on third-party providers to operate our regional product distribution centers and to manage the transportation of our work-in-process and finished products among our facilities and to our customers. In addition, we rely on third parties to provide certain information technology services to us, including helpdesk support, desktop application services, business and software support applications, server and storage administration, data center operations, database administration, and voice, video and remote access. Our relationships with these providers are governed by fixed term contracts. We cannot guarantee that these providers will fulfill their respective responsibilities in a timely manner in accordance with the contract terms, in which case our internal operations and the distribution of our products to our customers could be materially adversely affected. Also, we cannot guarantee that our contracts with these third-party providers will be renewed, in which case we would have to transition these functions in-house or secure new providers, which could have a material adverse effect on us if the transition is not executed appropriately.

Uncertainties involving the ordering and shipment of our products could materially adversely affect us.

We typically sell our products pursuant to individual purchase orders. We generally do not have long-term supply arrangements with our customers or minimum purchase requirements except that orders generally must be for standard pack quantities. Generally, our customers may cancel orders more than 30 days prior to shipment without incurring significant fees. We base our inventory levels on customers' estimates of demand for their products, which may not accurately predict the quantity or type of our products that our customers will want in the future or ultimately end up purchasing. Our ability to forecast demand is even further complicated when we sell indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. Moreover,

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

- a sudden and significant decrease in demand for our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements;
- a failure to accurately estimate customer demand for our older products as our new products are introduced; or
- our competitors taking aggressive pricing actions.

Because market conditions are uncertain, these and other factors could materially adversely affect us.

Our reliance on third-party distributors and add-in-board partners (AIBs) subjects us to certain risks.

We market and sell our products directly and through third-party distributors and AIBs pursuant to agreements that can generally be terminated for convenience by either party upon prior notice to the other party. These agreements are non-exclusive and permit both our distributors and AIBs to offer our competitors' products. We are dependent on our distributors and AIBs to supplement our direct marketing and sales efforts. If any significant distributor or AIBs or a substantial number of our distributors or AIBs terminated their relationship with us or decided to market our competitors' products over our products, our ability to bring our products to market would be impacted and we would be materially adversely affected.

Additionally, distributors and AIBs typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book and that is not more than twelve months older than the manufacturing code date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. Our agreements with AIBs protect their inventory of our products against price reductions. We defer the gross margins on our sales to distributors and AIBs, resulting from both our deferral of revenue and related product costs, until the applicable products are re-sold by the distributors or the AIBs. However, in the event of a significant decline in the price of our products, the price protection rights we offer to our distributors and AIBs would materially adversely affect us because our revenue would decline.

Failures in the global credit markets have impacted and may continue to impact the liquidity of our auction rate securities.

As of June 26, 2010, the par value of all our auction rate securities, or ARS, was \$117 million with an estimated fair value of \$108 million. As of June 26, 2010, our investments in ARS included estimated fair values of approximately \$39 million of student loan ARS and \$34 million of municipal and corporate ARS. The uncertainties in the credit markets have affected all of our ARS and auctions for these securities have failed to settle on their respective settlement dates. The auctions failed because there was insufficient demand for these securities. A failed auction does not represent a default by the issuer of the ARS. For each unsuccessful action, the interest rate is reset based on a formula set forth in each security, which is generally higher than the current market unless subject to an interest rate cap. When auctions for these securities fail, the investments may not be readily convertible to cash until a future auction of these investments is successful, a buyer is found outside of the auction process, the issuers of the ARS establish a different form of financing to replace these securities or redeem them, or final payment is due according to contractual maturities (currently, ranging from 2025 to 2050 for our ARS). Although we have had some limited redemptions since the failed auctions began, the liquidity of these investments has been impacted.

While we believe that the current illiquidity of these investments is temporary, we cannot predict with certainty when liquidity in the ARS market will return. If this market illiquidity continues or worsens, we may be required to record additional impairment charges with respect to these investments in the future, which could adversely impact our results of operations.

As of June 26, 2010, we owned \$36 million par value of ARS that we purchased from UBS prior to February 13, 2008. From June 30, 2010 through July 2, 2012, we have the right, but not the obligation, to sell, at par, these ARS to UBS. During the course of our exercise period with respect to the UBS ARS, UBS may not have financial resources to satisfy its financial obligations. In the event UBS cannot satisfy its financial obligations, we would no longer have the certainty as to the liquidity of these ARS.

Our operations in foreign countries are subject to political and economic risks and our worldwide operations are subject to natural disasters, which could have a material adverse effect on us.

We maintain operations around the world, including in the United States, Canada, Europe and Asia. We rely on GF for our wafer fabrication capacity for microprocessors. Currently, GF manufactures our products in facilities that are located in Germany. Nearly all product assembly and final testing of our microprocessor products is performed at manufacturing facilities in China, Malaysia and Singapore. In addition, our graphics and chipset products are manufactured, assembled and tested by independent third parties in the Asia-Pacific region and inventory related to those products is stored there, particularly in Taiwan. We also have

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international sales operations and as part of our business strategy, we are continuing to seek expansion of product sales in high growth markets. International sales as a percent of net revenue were 88% for the second quarter of 2010. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

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

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

In addition, our worldwide operations could be subject to natural disasters such as earthquakes, typhoons and volcanic eruptions that disrupt manufacturing or other operations. For example, our Silicon Valley operations are located near major earthquake fault lines in California. Any conflict or uncertainty in the countries in which we operate, including public health or safety, natural disasters or general economic factors, could have a material adverse effect on our business. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, potentially longer payment cycles, potentially increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on us.

Worldwide economic and political conditions may adversely affect demand for our products.

Worldwide economic conditions may adversely affect demand for our products. In 2008, the global economic crisis resulted in a tightening in the credit markets, lower levels of liquidity and increased volatility in credit, equity and fixed income markets. Similarly, the recent financial crisis developing in the European Union could adversely impact our sales and supply chain. The instability of the global economy may cause our customers to postpone purchases and may adversely impact our business and operating results.

The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales and our supply chain. The consequences of armed conflicts are unpredictable and we may not be able to foresee events that could have a material adverse effect on us. Also, the occurrence and threat of terrorist attacks and the consequences of sustained military action in the Middle East have in the past, and may in the future, adversely affect demand for our products. Terrorist attacks may negatively affect our operations, directly or indirectly, and such attacks or related armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us.

Political and economic instability in some regions of the world may also result and could negatively impact our business. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States economy and worldwide financial markets. Any of these occurrences could have a material adverse effect on us and also may result in volatility of the market price for our securities.

Unfavorable currency exchange rate fluctuations could continue to adversely affect us.

We have costs, assets and liabilities that are denominated in foreign currencies, primarily the euro and Canadian dollar. As a consequence, movements in exchange rates could cause our foreign currency denominated expenses to increase as a percentage of revenue, affecting our profitability and cash flows. In the past, the value of the U.S. dollar has fallen significantly, leading to increasingly unfavorable currency exchange rates on foreign denominated expenses. Whenever we believe appropriate, we hedge a portion of our short-term foreign currency exposure to protect against fluctuations in currency exchange rates. We determine our total foreign currency exposure using projections of long-term expenditures for items such as payroll. We cannot assure you that these activities will be effective in reducing foreign exchange rate exposure. Failure to do so could have an adverse effect on our business, financial condition, results of operations and cash flow. In addition, the majority of our product sales are denominated in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the local currency can cause increases or decreases in the cost of our products in the local currency of such customers. An appreciation of the U.S. dollar relative to the local currency could reduce sales of our products.

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Our inability to effectively control the sales of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors. From time to time, our products are diverted from our authorized distribution channels and are sold on the “gray market.” Gray market products result in shadow inventory that is not visible to us, thus making it difficult to forecast demand accurately. Also, when gray market products enter the market, we and our distribution channel compete with these heavily discounted gray market products, which adversely affects demand for our products and negatively impact our margins. In addition, our inability to control gray market activities could result in customer satisfaction issues because any time products are purchased outside our authorized distribution channel there is a risk that our customers are buying counterfeit or substandard products, including products that may have been altered, mishandled or damaged, or used products represented as new.

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

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third-party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted there under may not provide a competitive advantage to us. Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the United States and abroad, our technology or other intellectual property may be compromised, and we would be materially adversely affected.

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

From time to time we are a defendant or plaintiff in various legal actions. We also sell products to consumers, which could increase our exposure to consumer actions such as product liability claims. On occasion, we receive claims that individuals were allegedly exposed to substances used in our former semiconductor wafer manufacturing facilities and that this alleged exposure caused harm. Litigation can involve complex factual and legal questions, and its outcome is uncertain. Any claim that is successfully asserted against us may result in the payment of damages that could be material to us.

With respect to intellectual property litigation, from time to time, we have been notified, or third parties may bring or have brought actions against us, based on allegations that we are infringing the intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party’s intellectual property rights. We cannot assure you that we will be able to obtain all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain a license, these parties may file lawsuits against us seeking damages (potentially up to and including treble damages) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted, which could result in our having to stop the sale of some of our products or to increase the costs of selling some of our products or could damage our reputation. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, would have a material adverse effect on us. We could decide, in the alternative, to redesign our products or to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming regardless of their merit, cause delays in product release or shipment, and could have a material adverse effect on us. We cannot assure you that litigation related to our intellectual property rights or the intellectual property rights of others can always be avoided or successfully concluded.

Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations, which could have a material adverse effect on us.

Certain individuals have been charged by federal authorities with illegally trading in our stock using certain AMD confidential information.

On January 7, 2010, Anil Kumar, a former senior partner of McKinsey & Company, pled guilty to conspiracy and securities fraud charges. Mr. Kumar allegedly provided confidential information about us to a person who has been charged by federal authorities with illegally trading in our stock on the basis of that confidential information. To date, we have not been and, to our knowledge, none of our current or former executives or employees have been, charged or otherwise identified as targets or subjects in connection with ongoing proceedings relating to this matter. At this time, we cannot give any assurances as to whether any facts that may be discovered during the proceedings relating to this matter will be damaging to our business, results of operations or reputation.

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We are subject to a variety of environmental laws that could result in liabilities.

Our operations and properties have in the past and continue to be subject to various United States and foreign environmental laws and regulations, including those relating to materials used in our products and manufacturing processes, discharge of pollutants into the environment, the treatment, transport, storage and disposal of solid and hazardous wastes, and remediation of contamination. These laws and regulations require us to obtain permits for our operations, including the discharge of air pollutants and wastewater. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with any of them, a range of consequences could result, including fines, suspension of production, alteration of manufacturing processes, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions. We could also be held liable for any and all consequences arising out of exposure to hazardous materials used, stored, released, disposed of by us or located at, under or emanating from our facilities or other environmental or natural resource damage.

Certain environmental laws, including the U.S. Comprehensive, Environmental Response, Compensation and Liability Act of 1980, or the Superfund Act, impose strict, or under certain circumstances, joint and several liability on current and previous owners or operators of real property for the cost of removal or remediation of hazardous substances and impose liability for damages to natural resources. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. We have been named as a responsible party at three Superfund sites in Sunnyvale, California. Although we have not yet been, we could be named a potentially responsible party at other Superfund or contaminated sites in the future. In addition, contamination that has not yet been identified could exist at our other facilities.

Environmental laws are complex, change frequently and have tended to become more stringent over time. For example, the European Union (EU) and China are two among a growing number of jurisdictions that have enacted in recent years restrictions on the use of lead, among other chemicals, in electronic products. These regulations affect semiconductor packaging. There is a risk that the cost, quality and manufacturing yields of lead-free products may be less favorable compared to lead-based products or that the transition to lead-free products may produce sudden changes in demand, which may result in excess inventory. Recently, there has been a movement to improve the transparency and accountability concerning the supply of minerals coming from the conflict zones of the Democratic Republic of Congo (DRC). There is new US legislation that includes disclosure requirements for those manufacturers who use “conflict” minerals mined from the DRC and adjoining countries. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of semiconductor devices. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in our products.

Other regulatory requirements potentially affecting our back-end manufacturing processes and the design and marketing of our products are in development throughout the world. In addition, the EU is considering market entry requirements for computers based on the ENERGY STAR specification (Version 5.0) as well as additional limits. The proposed requirements, which have not yet been finalized by the EU Commission, could potentially be approved and implemented as early as the fourth quarter of 2011. If such requirements are implemented in the proposed time frame and to the proposed specification there is the potential for certain of our microprocessor, chipset and GPU products, as incorporated in desktop and mobile PCs, being excluded from the EU market and could materially adversely affect us. While we have budgeted for foreseeable associated expenditures, we cannot assure you that future environmental legal requirements will not become more stringent or costly in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past and future releases of, or exposure to, hazardous substances will not have a material adverse effect on us.

Our business is subject to potential tax liabilities.

We are subject to income taxes in the United States, Canada and other foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be materially different from that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, there could be a material adverse effect on our cash, income tax provision and net income in the period or periods for which that determination is made.

ITEM 5. OTHER INFORMATION

In a Report on Form 8-K dated May 14, 2010, we reported that the Compensation Committee approved a decrease of the Annual Incentive Plan target for Mr. Robert Rivet from 175% to 150% of his base salary for the second half of fiscal 2010. This decrease in fact was approved for all of fiscal 2010.

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ITEM 6. EXHIBITS

10.1	Form of Stock Option Agreement for AMD's US Senior Vice Presidents and Above (2004 Equity Incentive Plan)
10.2	Form of Stock Option Agreement for AMD's Non-US Senior Vice Presidents and Above (2004 Equity Incentive Plan)
10.3	Form of Restricted Stock Unit Agreement for AMD's US Senior Vice Presidents and Above (2004 Equity Incentive Plan)
10.4	Form of Restricted Stock Unit Agreement for AMD's Non-US Senior Vice Presidents and Above (2004 Equity Incentive Plan)
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

ADVANCED MICRO DEVICES, INC.

2004 EQUITY INCENTIVE PLAN

STOCK OPTION GRANT NOTICE

Advanced Micro Devices, a Delaware corporation (the "Company"), pursuant to its 2004 Equity Incentive Plan, as amended and restated (the "Plan"), hereby grants to the holder listed below ("Participant"), an option to purchase the number of Shares (as defined in the Plan) set forth below (the "Option"). This Option is subject to all of the terms and conditions set forth herein and in the Stock Option Agreement attached hereto as Exhibit A (the "Stock Option Agreement") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant: _____
Grant Date: _____
Exercise Price per Share: \$ _____
Total Exercise Price: \$ _____
Total Number of Shares _____
Subject to the Option: _____ shares
Expiration Date: _____

Type of Option: [] Incentive Stock Option [] Non-Qualified Stock Option

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Stock Option Agreement.

ADVANCED MICRO DEVICES, INC.

PARTICIPANT

By: _____
Print Name: _____
Title: _____
Address: _____

By: _____
Print Name: _____
Address: _____

EXHIBIT A
TO STOCK OPTION GRANT NOTICE
STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the “*Grant Notice*”) to which this Stock Option Agreement (this “*Agreement*”) is attached together with the Confirmation of Grant (the “*Confirmation*”), Advanced Micro Devices, Inc., a Delaware corporation (the “*Company*”), has granted to Participant an option under the Company’s 2004 Equity Incentive Plan, as amended and restated (the “*Plan*”), to purchase the number of Shares (as defined in the Plan) indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 **Defined Terms.** Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) “*Administrator*” shall mean the Board or any of its delegates, including committees, administering the Plan, in accordance with Section 4 of the Plan.

(b) “*Termination of Consultancy*” shall mean the time when the engagement of Participant as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death, Disability or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous re-establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant’s service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

(c) “*Termination of Directorship*” shall mean the time when Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

(d) “*Termination of Employment*” shall mean the time when the employee-employer relationship between Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of Participant by the Company or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between Participant and the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a) (2) of the Code and the then applicable regulations and revenue rulings under said Section.

(e) “*Termination of Services*” shall mean Participant’s Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the “*Grant Date*”), the Company grants to Participant the Option to purchase any part or all of an aggregate of the number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Plan and this Agreement. Unless designated as a Non-Qualified Stock Option in the Grant Notice, the Option shall be an Incentive Stock Option to the maximum extent permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided, however*, that the price per Share subject to the Option shall not be less than 100% of the Fair Market Value of a Share on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any “subsidiary corporation” of the Company or any “parent corporation” of the Company (each within the meaning of Section 424 of the Code), the price per Share subject to the Option shall not be less than 110% of the Fair Market Value of a Share on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE III.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability.

(a) Subject to Sections 3.2, 3.3, 5.10 and 5.15 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant’s Termination of Services shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and Participant; *provided, however*, that (i) if Participant is on unpaid leave of absence, Participant has 15 years or more of service with the Company and Participant’s Termination of Service is due to Participant’s death or Disability, then the Option shall become immediately vested and exercisable as to the number of Shares that would have otherwise become vested in the calendar year in which such leave of service commenced and (ii) if Participant is not on unpaid leave of absence, Participant has 15 years or more of service with the Company and Participant’s Termination of Service is due to Participant’s death or Disability, then the Option shall become immediately vested and exercisable as to the number of Shares that would have otherwise become vested in the calendar year of such termination.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The Expiration Date set forth in the Grant Notice, which shall in no event be more than seven years from the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and Participant owned (within the meaning of Section 424(d) of the Code), at the time the Option was granted, more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the expiration of five years from the Grant Date;

(c) The expiration of three months from the date of Participant's Termination of Services, unless such termination occurs by reason of Participant's death or Disability; provided, however, that if Participant is eligible for an extended period to exercise pursuant to the table below, the expiration period provided in this Section 3.3(c) shall be extended to such applicable total period as is shown pursuant to the table below;

Extended Exercise Period

If Participant is Not a VP or Company Officer

<u>Age at Termination</u>	<u>Years of Service</u>	<u>Total Exercise Period</u>
50 or more	15 years but less than 20 years	15*
50 or more	20 or more years	27*
If Participant Has Been a VP or Company Officer for at Least 90 Days		
Less than 50	Any	12
50 or more	Less than 15 years	12
50 or more	15 years but less than 20 years	24*
50 or more	20 or more years	36*

* If Participant leaves the Company to work for a competitor, this extension does not apply and Participant has the original three or twelve months to exercise.

(d) The expiration of 12 months from the date of Participant's Termination of Services by reason of Participant's death or Disability; provided, however, that if Participant is eligible for an extended period to exercise pursuant to the table below, the expiration period provided in this Section 3.3(d) shall be extended to such applicable total period as is shown pursuant to the table below.

Extended Exercise Period

If Participant is Not a VP or Company Officer

<u>Age at Termination</u>	<u>Years of Service</u>	<u>Total Exercise Period</u>
50 or more	15 years but less than 20 years	24*
50 or more	20 or more years	36*
If Participant Has Been a VP or Company Officer for at Least 90 Days		
50 or more	15 years but less than 20 years	24*
50 or more	20 or more years	36*

* If Participant leaves the Company to work for a competitor, this extension does not apply and Participant has the original twelve months to exercise.

3.4 Special Tax Consequences. Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Stock Options, including the Option (if applicable), are exercisable for the first time by Participant in any calendar year exceeds \$100,000, the Option and such other options shall be Non-Qualified Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other "incentive stock options" into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. Participant acknowledges that an Incentive Stock Option exercised more than three months after Participant's Termination of Employment, other than by reason of death or Disability, will be taxed as a Non-Qualified Stock Option.

ARTICLE IV.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof:

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the Shares with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding tax, which shall be made by deduction from other compensation payable to Participant or in such other form of consideration permitted under Section 4.4 hereof that is acceptable to the Company;

(c) Any other written representations as may be required in the Administrator's reasonable discretion to evidence compliance with the Securities Act or any other applicable law, rule or regulation; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 hereof by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. The Administrator shall determine the acceptable form of consideration for exercising the Option, including the method of payment. Such consideration, to the extent permitted by Applicable Laws, may consist of:

(a) Check;

(b) Other Shares which (A) in the case of Shares acquired upon exercise of an Option, have been owned by the Participant for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(c) Broker-assisted cashless exercise;

(d) Any combination of the foregoing methods of payment; or

(e) Such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

4.5 Conditions to Issuance of Stock Certificates. The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. Such shares of Stock shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such Shares to listing on all stock exchanges on which such Stock is then listed;

(b) The completion of any registration or other qualification of such Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for such Shares, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4 hereof; and

(e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any Shares purchasable upon the exercise of any part of the Option unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15(a) of the Plan.

ARTICLE V.

OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

5.2 Whole Shares. The Option may only be exercised for whole Shares.

5.3 Option Not Transferable. Subject to Section 4.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Option have been issued, and all restrictions applicable to such Shares have lapsed. Neither the Option nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

5.4 Binding Agreement. Subject to the limitation on the transferability of the Option contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.5 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 15 of the Plan.

5.6 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 5.6, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 hereof by written notice under this Section 5.6. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.7 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.8 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.9 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.10 Amendments, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board; *provided*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

5.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 5.3 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.12 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years from the Grant Date with respect to such shares of Stock or (b) within one year after the transfer of such shares of Stock to Participant. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.13 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.14 Entire Agreement. The Plan, the Grant Notice, the Confirmation and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.15 Section 409A. This Option is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “**Section 409A**”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the Option (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the Option to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

5.16 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Stock as a general unsecured creditor with respect to options, as and when exercised pursuant to the terms hereof.

5.17 Recovery in the Event of a Financial Restatement. In the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Administrator will review all equity-based compensation (including the Option) awarded to Participants at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that any such Participant was directly involved with fraud, misconduct and/or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by governing law and as appropriate under the circumstances, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to such Participant, including (without limitation) by cancellation, forfeiture, repayment and/or disgorgement of profits realized from the sale of securities of the Company; *provided, however*, the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator shall take into account such considerations as it deems appropriate, including governing law and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation.

ADVANCED MICRO DEVICES, INC.

2004 EQUITY INCENTIVE PLAN

STOCK OPTION GRANT NOTICE FOR PARTICIPANTS LOCATED OUTSIDE THE U.S.

Advanced Micro Devices, a Delaware corporation (the "Company"), pursuant to its 2004 Equity Incentive Plan, as amended and restated (the "Plan"), hereby grants to the holder listed below ("Participant"), an option to purchase the number of Shares (as defined in the Plan) set forth below (the "Option"). This Option is subject to all of the terms and conditions set forth herein, together with the Stock Option Award attached hereto as Exhibit A (the "Stock Option Agreement") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Stock Option Agreement.

Participant: _____
Grant Date: _____
Exercise Price per Share: \$ _____
Total Exercise Price: \$ _____
Total Number of Shares Subject to the Option: _____ shares
Expiration Date: _____

Type of Option: [] Incentive Stock Option [] Non-Qualified Stock Option

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement, and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice, or the Stock Option Agreement.

ADVANCED MICRO DEVICES, INC.

PARTICIPANT

By: _____
Print Name: _____
Title: _____
Address: _____

By: _____
Print Name: _____
Address: _____

TERMS AND CONDITIONS FOR PARTICIPANTS LOCATED OUTSIDE THE U.S.

STOCK OPTION AWARD
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN

The following Terms and Conditions, together with the accompanying Confirmation of Grant of Stock Options (the “*Confirmation*”), the Stock Option Grant Notice (the “*Grant Notice*”) and any country-specific terms and conditions contained in the Appendix (as described in Section 21, below), comprise your agreement (the “*Agreement*”) with Advanced Micro Devices, Inc. (the “*Company*”) regarding the grant of Stock Options (“*Options*”) to purchase the number of shares of the Company’s common stock (the “*Shares*”), as set forth in the Grant Notice, at the exercise price per share set forth in the Grant Notice (the “*Exercise Price*”), awarded under the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the “*Plan*”). Capitalized terms not specifically defined herein shall have the same meaning assigned to them in the Plan.

1. **Vesting of Options.** The Options will vest on the date(s) shown on the Grant Notice provided that you continue to be an active Service Provider through each vesting date.

2. **Exercise of Options.**

(a) **Right to Exercise.** This Option is exercisable during its term in accordance with the vesting schedule set out in the Grant Notice and the applicable provisions of the Plan and the Agreement.

(b) **Method of Exercise.** Unless otherwise determined by the Administrator, the Option shall be exercisable during your lifetime only by you, and after your death only by your legal representative. The Options may only be exercised by the delivery to the Company of a properly completed written notice, in form specified by the Administrator or its designee, which notice shall specify the number of Shares to be purchased and the aggregate Exercise Price for such shares, together with payment in full of such aggregate Exercise Price and all applicable Tax-Related Items (as defined in Section 7). Payment shall be made in a manner permitted in Section 3 below or as authorized by the Administrator pursuant to the Plan and/or as specified in the Appendix. The Options may not be exercised unless you agree to be bound by such documents as the Administrator may reasonably require, including all Award Documentation.

The Administrator may deny any exercise permitted hereunder if the Administrator determines, in its discretion, that such exercise could result in a violation of U.S. federal, state or foreign securities laws.

3. **Method of Payment.** Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, unless provided otherwise in the Appendix:

(a) cash; or

(b) check; or

(c) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan.

4. **Nontransferability of Options.** The Options may not be pledged, assigned, sold, or otherwise transferred other than by will or by the laws of descent and distribution. The terms of the Plan and the Agreement shall be binding upon your executors, administrators, heirs, successors and assigns.

5. **Term of Option.** This Option may be exercised only within the term set out in the Grant Notice, and may be exercised during such term only in accordance with the Plan and the terms of the Agreement.

6. **Termination as a Service Provider.**

(a) **Termination Generally.** If your status as an active Service Provider terminates for any reason, other than death or Disability or for Misconduct, and you have not been serving as a vice president or AMD officer for at least ninety (90) days (or not at all), vested Options may be exercised at any time before the expiration date set forth in the Grant Notice or the expiration of three months after the date of termination, whichever is the shorter period, but only to the extent you were entitled to exercise the Options at the date of termination, as described in Sections 1 and 2 and in the Grant Notice. If you have been serving as a vice-president or AMD officer for at least ninety (90) days and your status as an active Service Provider terminates for any reason other than death or Disability or for Misconduct, vested Options may be exercised at any time before the expiration date set forth in the Grant Notice or the expiration of twelve (12) months after the date of termination, whichever is the shorter period, but only to the extent you were entitled to exercise the Options at the date of termination, as described in Sections 1 and 2 and in the Grant Notice.

You may have a longer period to exercise Options under the circumstances described below:

- (i) If you have not been a vice president or AMD officer for at least ninety (90) days (or not at all) and are age fifty (50) or more when your status as an active Service Provider terminates for any reason, other than death, Disability or Misconduct, and you have at least fifteen (15) years of service but less than twenty (20) years of service, you will have fifteen (15) months to exercise vested Options after termination as a Service Provider.
- (ii) If you have not been a vice president or AMD officer for at least ninety (90) days (or not at all) and are age fifty (50) or more when your status as an active Service Provider terminates for any reason, other than death, Disability or Misconduct, and you have twenty (20) years or more of service, you will have twenty-seven (27) months to exercise vested Options after termination as a Service Provider.
- (iii) If you have been a vice president or AMD officer for at least ninety (90) days and are age fifty (50) or more when your status as an active Service Provider terminates for any reason, other than death, Disability or Misconduct, and you have at least fifteen (15) years of service but less than twenty (20) years of service, you will have twenty-four (24) months to exercise vested Options after termination as a Service Provider.
- (iv) If you are have been a vice president or AMD officer for at least ninety (90) days and are age fifty (50) or more when your status as an active Service Provider terminates for any reason, other than death, Disability or Misconduct, and you have twenty (20) years or more of service, you will have thirty-six (36) months to exercise vested Options after termination as a Service Provider.

If you terminate your status as an active Service Provider to work for a competitor of the Company, the post-termination exercise period extensions described in Sections 6(a)(i) – (iv) will not apply, and you will have three months to exercise your vested Options, unless you have been serving as a vice-president or AMD officer for at least ninety (90) days, in which case you will have twelve (12) months to exercise your vested Options. In no case shall the post-termination exercise periods extend beyond the term limit for the Options as set out in the Grant Notice.

(b) Termination Due to Death or Disability. If your status as an active Service Provider terminates due to your death or Disability (as defined in the Plan) and you were a Service Provider for at least fifteen (15) years, your Options will vest as follows:

- (i) if you are on an unapproved leave of absence, any Options that would have vested in the calendar year in which your leave began are immediately vested; or
- (ii) if you are *not* on an unapproved leave of absence (*i.e.*, you are on an approved leave of absence or you are serving as an active Service Provider), any Options that would have vested in the calendar year of your death or Disability are immediately vested.

You (or your heirs, as applicable) shall generally have twelve (12) months from the date your status as a Service Provider is terminated due to death or Disability to exercise any vested Options. However, if you are aged fifty (50) or more and have at least fifteen (15) years of service but less than twenty (20) years of service when your status as a Service Provider is terminated due to death or Disability, you (or your heirs) shall have twenty-four (24) months from the date your status as a Service Provider is terminated to exercise any vested Options (provided that you do not go to work for a competitor of the Company, in which case you (or your heirs) shall have twelve (12) months from the date your status as a Service Provider is terminated to exercise any vested Options). If you are aged fifty (50) or more and have at least twenty (20) years of service when your status as a Service Provider is terminated due to death or Disability, you (or your heirs) shall have thirty-six (36) months from the date your status as a Service Provider is terminated to exercise any vested Options (provided that you do not go to work for a competitor of the Company, in which case you (or your heirs) shall have twelve (12) months from the date your status as a Service Provider is terminated to exercise any vested Options). In no case shall the post-termination exercise periods extend beyond the term limit for the Options as set out in the Grant Notice.

(c) **Termination due to Misconduct.** If your status as an active Service Provider is terminated due to Misconduct (as defined in the Plan), the Company reserves the right to cancel all of your Options, whether vested or unvested.

7. Responsibility for Taxes. Regardless of any action the Company or your employer (the “**Employer**”) takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Options, including, but not limited to, the grant, vesting or exercise of the Options, the issuance of Shares upon exercise of the Options, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Options to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; or
- (b) withholding from proceeds of the sale of Shares acquired upon exercise of the Options either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or
- (c) withholding in Shares to be issued upon exercise of the Options; or
- (d) requires payment in cash, check or wire transfer of the Tax-Related Items at the time of exercise.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the exercise, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

Finally, you shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to honor the exercise or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

8. Other Terms and Conditions.

(a) **The Plan.** This Agreement is further subject to the terms and provisions of the Plan. Only certain provisions of the Plan are described in these Terms and Conditions. As a condition to your receipt and exercise of the Options, you acknowledge and agree to the terms and conditions of the Agreement and the terms and provisions of the Plan.

(b) **Stockholder Rights.** Until the Shares are issued upon exercise, you have no right to vote or receive dividends or any other rights as a stockholder with respect to the Options.

(c) **Employment Relationship.** Nothing in the Agreement shall confer on you any right to continue in the employ of your Employer, nor shall interfere with or restrict rights of your Employer, which are hereby expressly reserved, to discharge you at any time, with or without cause provided in compliance with applicable local laws.

(d) **Change of Control.** If your employment is terminated by your Employer for any reason other than for Misconduct or, if applicable, by you as a result of a Constructive Termination, within one year after a Change of Control, then the Options shall become fully vested upon the date of termination.

(e) **Declination of Options.** If you wish to decline your Options, you must complete and file the Declination of Grant form with Corporate Compensation and Benefits by the deadline for such declination. Your declination is non-revocable, and you will not receive any other benefits or compensation as replacement for the declined Options.

(f) **Recovery in the Event of a Financial Restatement.** In the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Administrator will review all equity-based compensation (including the Option) awarded to employees at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that any such Company employee was directly involved with fraud, misconduct and/or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by governing law and as appropriate under the circumstances, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to you, including (without limitation) by cancelation, forfeiture, repayment and/or disgorgement of profits realized from the sale of securities of the Company; *provided, however,* the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator shall take into account such considerations as it deems appropriate, including governing law and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation.

9. **Nature of Grant.** In accepting the grant, you acknowledge that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past;

(c) all decisions with respect to future Option grants, if any, will be at the sole discretion of the Company;

(d) your participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate your employment relationship at any time;

(e) you are voluntarily participating in the Plan;

(f) the Options and the Shares subject to the Options are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of your employment contract, if any;

(g) the Options and the Shares subject to the Options are not intended to replace any pension rights or compensation;

(h) the Options and the Shares subject to the Options are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer, its Parent, or any Subsidiary or Affiliate of the Company;

(i) the Option grant and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, its Parent or any Subsidiary or Affiliate of the Company;

(j) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(k) if the underlying Shares do not increase in value, the Options will have no value;

(l) if you exercise the Options and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price;

(m) in consideration of the grant of the Options, no claim or entitlement to compensation or damages shall arise from forfeiture of the Options resulting from termination of your employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of applicable local laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;

(n) in the event of termination of your employment (whether or not in breach of local labor laws), your right to vest in the Options under the Plan, if any, will terminate effective as of the date that you are no longer actively employed and will not be extended by any notice period mandated under applicable local laws (e.g., active employment would not include a period of "garden leave" or similar period pursuant to applicable local laws); the Administrator shall have the exclusive discretion to determine when you are no longer actively employed for purposes of your Options; and

(o) the Options and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

10. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

11. **Data Privacy.** *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Options Award Documentation by and among, as applicable, the Employer, the Company, its Parent or any Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

You understand that Data will be transferred to a Company-designated Plan broker, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, its Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

12. **Compliance with Laws and Regulations.** The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

13. **Successors and Assigns.** The Company may assign any of its rights under the Agreement. The Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer contained herein, the Agreement will be binding upon you and your heirs, executors, administrators, legal representatives, successors and assigns.

14. **Administrator Authority.** The Administrator shall have the power to interpret the Plan and the Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon you, the Company and all other interested persons. The Administrator shall not be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Agreement.

15. **Governing Law; Severability.** The Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

If any provision of the Agreement is determined by a court of law to be illegal or unenforceable, in whole or in part, that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

16. **Further Instruments.** The parties agree to execute further instruments and to take further actions as may be reasonably necessary to carry out the purposes and intent of the Agreement.

17. **Language.** If you have received the Agreement or any other Award Documentation translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

18. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Options and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. **Headings.** The captions and headings of the Agreement are included for ease of reference only and will be disregarded in interpreting or construing the Agreement. All references herein to Sections will refer to Sections of the Agreement.

21. **Appendix.** Notwithstanding any provisions in the Award Documentation, the Options grant shall be subject to any special terms and conditions for your country set forth in an Appendix to the Terms and Conditions. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan. The Appendix constitutes part of the Agreement.

22. **Entire Agreement.** The Plan, these Terms and Conditions, the Appendix, the Grant Notice and the Confirmation constitute the entire agreement and understanding of the parties with respect to the subject matter of the Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties with respect to the specific subject matter hereof.

APPENDIX

Terms and Conditions for Participants Located Outside the U.S.

Stock Option Award

Advanced Micro Devices, Inc. 2004 Equity Incentive Plan

This Appendix to the Terms and Conditions for Participants Located Outside the U.S. includes additional terms and conditions that govern the grant of Options in your country. Capitalized terms not explicitly defined in this Appendix have the definitions ascribed to them in the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the "**Plan**") and/or the Terms and Conditions for Participants Located Outside the U.S. (as applicable).

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of December 2008. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at vesting or exercise of the Options or the subsequent sale of the Shares or receipt of any dividends.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, the information contained herein may not be applicable to you.

ARGENTINA

Notifications

Securities Law Information. Neither the Options nor the issuance of Shares are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Information. Under current regulations adopted by the Argentine Central Bank (the "BCRA"), you may purchase and remit foreign currency with a value of up to US\$2,000,000 per month out of Argentina for the purpose of acquiring foreign securities, including Shares under the Plan, without prior approval from the BCRA, provided you execute and submit an affidavit to the BCRA confirming you have not exceeded the US\$2,000,000 threshold during the relevant month.

Please note that exchange control regulations in Argentina are subject to frequent change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have.

AUSTRALIA

Notifications

Securities Law Information. If you acquire Shares pursuant to the Options and you offer the Shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. You should obtain legal advice on disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction will file the report. If there is no Australian bank involved in the transfer, you will be required to file the report.

BELGIUM

There are no country specific provisions.

BRAZIL

Notifications

Exchange Control Information. If you are a resident or domiciled in Brazil, you will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000. Please note that the US\$100,000 threshold may be changed annually.

CANADA

Notifications

French Language Provision. The following provisions will apply if you are a resident of Quebec:

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

Termination of Service. The following provision replaces Section 1 and Section 6(b) of the Terms and Conditions:

In the event of the termination of your status as Service Provider for any reason, except for death or Disability and whether or not in breach of local labor laws, all unvested Options shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Options will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination from your Employer, or (2) the date you are no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under applicable local laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively providing service for purposes of the Options.

Authorization to Release and Transfer Necessary Personal Information. The following provision supplements Section 11 of the Terms and Conditions:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, any Parent, Subsidiary or Affiliate and the Administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Parent, Subsidiary or Affiliate to record such information and to keep such information in your employee file.

CHINA

Terms and Conditions

Method of Payment and Sale of Shares. The following provision supplements Section 3 of the Terms and Conditions:

Due to local regulatory requirements, you understand that you will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, you understand that you must instruct the Plan broker to: (i) sell all of the Shares issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to you. You will not be permitted to hold Shares after exercise. Depending upon the development of laws and your status as a national of a country other than the People's Republic of China, the Company reserves the right to modify the methods of exercising the Options and in its sole discretion, to permit cash exercises, cashless sell-to-cover exercises or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the immediate sale of the Shares upon exercise of the Options to China. You further understand that, under Applicable Laws, such repatriation of your cash proceeds may need to be effectuated through a special exchange control account established by the Company, its Parent, Subsidiary or Affiliate or the Employer, and you hereby consent and agree that any proceeds from the sale of any Shares you acquire may be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FRANCE

Notifications

Tax Information. The Options are not intended to be French tax-qualified Awards.

Terms and Conditions

French Language Provision. By signing and returning this Agreement, you confirm having read and understood the documents relating to the Plan which were provided to you in English language. You accept the terms of those documents accordingly.

French translation: *En signant et renvoyant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

FINLAND

There are no country specific provisions.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If you use a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of Shares acquired under the Plan, the bank will make the report for you. In addition, you must report any receivables, payables, or debts in foreign currency exceeding an amount of €5,000,000 on a monthly basis.

HONG KONG

Terms and Conditions

Warning : *The Options and Shares issued at exercise do not constitute a public offering of securities under Hong Kong law and are available only to Service Providers of the Company, its Parent, Subsidiary or Affiliate. The Agreement, including this Appendix, the Plan and other incidental Award Documentation have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor has the Award Documentation been reviewed by any regulatory authority in Hong Kong. The Options are intended only for the personal use of each eligible Service Provider of the Employer, the Company, its Parent or any Subsidiary or Affiliate and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Appendix, or the Plan, you should obtain independent professional advice.*

Sale of Shares. The following provision supplements Section 2 of the Terms and Conditions:

In the event your Options vest and are exercised within six months of the date of grant, you agree that you will not dispose of any Shares acquired prior to the six-month anniversary of the date of grant.

Notifications

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

INDIA

Terms and Conditions

Method of Payment. The following provision supplements Section 3 of the Terms and Conditions:

Due to regulatory requirements you understand that you may not pay the Exercise Price by a “sell-to-cover” exercise (*i.e.* where enough Shares subject to the Options will be sold immediately upon exercise and the proceeds from the sale will be remitted to the Company to cover the Exercise Price for the purchased shares and any Tax-Related Items or fringe benefit tax withholding). The Company reserves the right to permit this method of payment depending upon the development of local law.

Fringe Benefit Tax Obligation. By accepting the Options, you consent and agree to assume any and all liability for fringe benefit tax that may be payable by the Company and/or the Employer in connection with the Options at the discretion of the Company and/or the Employer. Further, by accepting the Options, you agree that the Company and/or the Employer may collect the fringe benefit tax from you by any of the means set forth in Section 7 of the Terms and Conditions, or any other reasonable method established by the Company. You also agree to execute any other consents or elections required to accomplish the foregoing, promptly upon request by the Company.

Notifications

Exchange Control Information. You understand that you must repatriate any proceeds from the sale of Shares acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. You will receive a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of fund in the event the Reserve Bank of India or the Employer requests proof of repatriation.

IRELAND

Notifications

Director Notification Obligation. If you are a director, shadow director or secretary of the Company’s Irish Parent, Subsidiary or Affiliate, you must notify the Irish Parent, Subsidiary or Affiliate in writing within five business days of receiving or disposing of an interest in the Company (*e.g.*, Options, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary).

ITALY

Terms and Conditions

Method of Payment. The following provision supplements Section 3 of the Terms and Conditions:

Due to local regulatory requirements, you understand that you will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, you understand that you must instruct the Plan broker to: (i) sell all of the Shares issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to you. You will not be permitted to hold Shares after exercise. Depending upon the development of laws and your status as a national of a country other than Italy, the Company reserves the right to modify the methods of exercising the Options and in its sole discretion, to permit cash exercises, cashless sell-to-cover exercises or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

Authorization to Release and Transfer Necessary Personal Information. The following provisions replace in its entirety Section 11 of the Terms and Conditions:

You understand that the Employer and/or the Company may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all Options or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You are aware that providing the Company with your Data is necessary for the performance of the Agreement and that your refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.

The Controller of personal data processing is Advanced Micro Devices, Inc., One AMD Place, Sunnyvale, California 94088, USA, and, pursuant to D.lgs 196/2003, its representative in Italy is: Advanced Micro Devices, Spa. Via Montefeltro, 420156 Milano, Italy. You understand that the Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to the vesting of the Options or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in Italy or elsewhere, including outside of the European Union and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. The processing activity, including the transfer of your personal data abroad, outside of the European Union, as herein specified and pursuant to Applicable Laws and regulations, does not require your consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. You understand that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2003.

You understand that Data will be held only as long as is required by law or as necessary to implement, administer and manage your participation in the Plan. You understand that pursuant to art.7 of D.lgs 196/2003, you have the right, including but not limited to, access, delete, update, request the rectification of your Data and cease, for legitimate reasons, the Data processing. Furthermore, you are aware that your Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address: Advanced Micro Devices, Spa. Via Montefeltro, 420156 Milan, Italy.

Plan Document Acknowledgment. In accepting the Options, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix. You further acknowledge that you have read and specifically and expressly approve the following sections of the Terms and Conditions:

Section 1: Vesting of Options, Section 2: Exercise of Options; Section 6: Termination as a Service Provider; Section 7: Responsibility for Taxes; Section 9: Nature of Grant; and the Authorization to Release Transfer Necessary Personal Information and Method of Payment provisions above.

Notifications

Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; and (b) any foreign investments or investments (including proceeds from the sale of Options acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to income in Italy. You exempt from the formalities in (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on your behalf.

JAPAN

There are no country specific provisions.

KOREA

Notifications

Exchange Control Information. To remit funds out of Korea to exercise the Options by a cash-exercise method, you must obtain a confirmation of the remittance by a foreign exchange bank in Korea. This is an automatic procedure, (*i.e.*, the bank does not need to approve the remittance and the process should not take more than a single day). You likely will need to present the bank processing the transaction supporting documentation evidencing the nature of the remittance.

If you realize US\$500,000 or more from the sale of Shares, Korean exchange control laws require you to repatriate the proceeds to Korea within 18 months of the sale.

MALAYSIA

Notifications

Malaysian Insider Trading Notification. You should be aware of the Malaysian insider-trading rules, which may impact your acquisition or disposal of Shares or rights to Shares under the Plan. Under the Malaysian insider-trading rules, you are prohibited from acquiring or selling Shares or rights to Shares (*e.g.*, an Award under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Shares once such information is generally available.

Director Notification Obligation. If you are a director of the Company's Malaysian Parent, Subsidiary or Affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Parent, Subsidiary or Affiliate in writing when you receive or dispose of an interest (*e.g.*, an Award under the Plan or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

Terms and Conditions

No Entitlement or Claims for Compensation. The following provisions supplement Sections 8 and 9 of the Terms and Conditions:

Modification. By accepting the Options, you understand and agree that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement. The Award of Options the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with registered offices at One AMD Place, Sunnyvale, CA 94088, U.S.A., is solely responsible for the administration of the Plan and participation in the Plan and the acquisition of Shares does not, in any way, establish an employment relationship between you and the Company since you are participating in the Plan on a wholly commercial basis and the sole employer is Advanced Micro Devices, Blvd. Manuel Ávila Camacho No. 40, Torre Esmeralda 1, Piso 18 Col. Lomas de Chapultepec México DF, CP 11000—México, nor does it establish any rights between you and the Employer.

Plan Document Acknowledgment. By accepting the Award of Options, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Agreement in their entirety and fully understand and accept all provisions of the Plan and the Agreement.

In addition, by signing the Agreement, you further acknowledge that you have read and specifically and expressly approve the terms and conditions in Section 9 of the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company and any Parent, Subsidiary or Affiliate are not responsible for any decrease in the value of the Shares underlying the Options.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of your participation in the Plan and therefore grant a full and broad release to the Employer, the Company and any Parent, Subsidiary or Affiliate with respect to any claim that may arise under the Plan.

Spanish Translation

Términos y Condiciones

Renuncia de Derecho o Reclamo por Compensación. *Las siguientes disposiciones complementan los apartados 8 y 9 de los Términos y Condiciones:*

Modificación. *Al aceptar las Opciones, usted reconoce y acuerda que cualquier modificación del Plan o del Acuerdo o de su terminación no constituye un cambio o desmejora de los términos y condiciones de empleo.*

Declaración de Política. *El Otorgamiento de Opciones de la Compañía en virtud del Plan es unilateral y discrecional y, por lo tanto, la Compañía se reserva el derecho absoluto de modificar y discontinuar el mismo en cualquier momento, sin responsabilidad alguna.*

La Compañía, con oficinas registradas ubicadas en One AMD Place, Sunnyvale, CA 94088, U.S.A., es la única responsable de la administración del Plan y de la participación en el mismo y la adquisición de Acciones no establece de forma alguna una relación laboral entre usted y la Compañía, ya que su participación en el Plan es completamente comercial y el único empleador es Advanced Micro Devices, Blvd. Manuel Ávila Camacho No. 40, Torre Esmeralda 1, Piso 18 Col. Lomas de Chapultepec México DF, CP 11000 – México, así como tampoco establece ningún derecho entre usted y el Empleador.

Reconocimiento del Documento del Plan. *Al aceptar el Otorgamiento de Opciones, usted reconoce que ha recibido copias del Plan, ha revisado el mismo, al igual que la totalidad del Acuerdo y, que ha entendido y aceptado completamente todas las disposiciones contenidas en el Plan y en el Acuerdo.*

Adicionalmente, al firmar el Acuerdo, reconoce que ha leído, y que aprueba específica y expresamente los términos y condiciones contenidos en el apartado 9 del Acuerdo, en el cual se encuentra claramente descrito y establecido lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el mismo es ofrecida por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, así como su Sociedad Controlante, Subsidiaria o Afiliada no son responsables por ninguna disminución en el valor de las Acciones en relación a las Opciones.

Finalmente, declara que no se reserva ninguna acción o derecho para interponer una demanda en contra de la Compañía por compensación, daño o perjuicio alguno como resultado de su participación en el Plan y, en consecuencia, exime amplia y completamente al Empleador, así como a la Compañía, a su Sociedad Controlante, Subsidiaria o Afiliada con respecto a cualquier reclamo que pudiera originarse en virtud del Plan.

NETHERLANDS

Notifications

Insider-Trading Notification. You should be aware of the Dutch insider-trading rules, which may impact the sale of Shares issued to you at vesting and settlement of the Options. In particular, you may be prohibited from effectuating certain transactions involving Shares if you have inside information about the Company. If you are uncertain whether the insider-trading rules apply to you, you should consult your personal legal advisor.

POLAND

Notifications

Exchange Control Information. If you hold foreign securities (including Shares) and maintain accounts abroad, you may be required to file certain reports with the National Bank of Poland. Specifically, if the value of securities and cash held in such foreign accounts exceeds €10,000, you must file reports on the transactions and balances of the accounts on a quarterly basis by the 20th day of the month following the end of each quarter and an annual report by no later than January 30 of the following calendar year. Such reports are filed on special forms available on the website of the National Bank of Poland.

SINGAPORE

Notifications

Securities Law Information. The Award of Options is being made in reliance of section 273(1)(f) of the Securities and Futures Act (Cap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA.

Director Notification Obligation. If you are a director, associate director or shadow director of the Company’s Singapore Parent, Subsidiary or Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company’s Singapore Parent, Subsidiary or Affiliate in writing when you receive an interest (*e.g.*, an Award or Shares) in the Company or any Parent, Subsidiary or Affiliate. In addition, you must notify the Company’s Singapore Parent, Subsidiary or Affiliate when you sell Shares or shares of any Parent, Subsidiary or Affiliate (including when you sell Shares issued upon vesting and settlement of the Options). These notifications must be made within two days of acquiring or disposing of any interest in the Company or any Parent, Subsidiary or Affiliate. In addition, a notification of your interests in the Company or any Parent, Subsidiary or Affiliate must be made within two days of becoming a director.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provisions supplement Sections 8 and 9 of the Terms and Conditions:

By accepting the Options, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan document.

You understand that the Company has unilaterally, gratuitously and in its sole discretion decided to grant Options under the Plan to individuals who may be Consultants, Directors and Employees throughout the world. The decision is limited and entered into based upon the express assumption and condition that any Options will not economically or otherwise bind the Company or any Parent, Subsidiary or Affiliate, including the Employer, on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the Options are granted on the assumption and condition that the Options shall not become part of any employment contract (whether with the Company or any Parent, Subsidiary or Affiliate, including the Employer) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, you understand and freely accept that there is no guarantee that any benefit whatsoever shall arise from the grant of Options, which is gratuitous and discretionary, since the future value of the Options and the underlying Shares is unknown and unpredictable. You also understand that this grant of Options would not be made but for the assumptions and conditions set forth hereinabove; thus, you understand, acknowledge and freely accept that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the Options and any right to the underlying Shares shall be null and void.

Notifications

Exchange Control Information. You must declare the acquisition of Shares to the *Dirección General de Política Comercial e Inversiones Exteriores* (“DGPCIE”) of the *Ministerio de Economía* for statistical purposes. You must also declare the ownership of any Shares with the Directorate of Foreign Transactions each January while the Shares are owned. In addition, you wish to import the share certificates into Spain, you must declare the importation of such securities to the DGPCIE.

When receiving foreign currency payments derived from the ownership of Shares (*i.e.*, dividends or sale proceeds), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the following information: (i) your name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

SWEDEN

There are no country specific provisions.

TAIWAN

Notifications

Exchange Control Information. You may acquire and remit foreign currency (including proceeds from the sale of Shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, you must submit a foreign exchange transaction form and also provide supporting documentation to the satisfaction of the remitting bank.

If the transaction amount is US\$500,000 or more, you may be required to provide additional supporting documentation to the satisfaction of the remitting bank. Please consult your personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information. If you remit funds out of Thailand to purchase Shares, it is your responsibility to comply with any applicable exchange control laws. Under current exchange control regulations, you may remit funds out of Thailand up to U.S. \$1,000,000 per year to purchase Shares (and otherwise invest in securities abroad) by submitting an application to an authorized agent, (*i.e.*, a commercial bank authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency). The application includes the Foreign Exchange Transaction Form, a letter describing the Options, a copy of the Plan and related documents, and evidence showing the nexus between the Company and the Employer. If you use a cashless method of exercise that does not involve remitting any funds out of Thailand, this requirement does not apply.

When you sell Shares issued to you at exercise of the Options, you must immediately repatriate all cash proceeds to Thailand and then convert such proceeds to Thai Baht within 360 days of repatriation. If the amount of your proceeds is US\$20,000 or more, you must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If you fail to comply with these obligations, you may be subject to penalties assessed by the Bank of Thailand. You should consult your personal advisor before taking action with respect to remittance of proceeds from the sale of Shares into Thailand. You are responsible for ensuring compliance with all exchange control laws in Thailand.

TURKEY

Notifications

Exchange Control Information. Exchange control regulations require Turkish residents to purchase securities through financial intermediary institutions that are approved under the Capital Market Law (*i.e.*, banks licensed in Turkey). Therefore, if Optionee exercises his or her Option using a cash exercise method, the funds must be remitted through a bank or other financial institution licensed in Turkey. A wire transfer of funds by a Turkish bank will satisfy this requirement. This requirement does not apply to a cashless exercise, as no funds are remitted out of Turkey.

UNITED ARAB EMIRATES

There are no country specific provisions.

UNITED KINGDOM

Terms & Conditions

Tax Acknowledgment. The following provisions supplement Section 7: Responsibility for Taxes in the Terms and Conditions:

You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to account to HMRC with respect to the event giving rise to the Tax-Related Items (the “**Taxable Event**”) that cannot be satisfied by the means described in Section 7 of the Terms and Conditions. If payment or withholding is not made within ninety (90) days of the Taxable Event or such other period as required under U.K. law (the “**Due Date**”), you agree that the amount of any uncollected Tax-Related Items shall (assuming you are not a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended)) constitute a loan owed by you to the Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current HMRC Official Rate and it will be immediately due and repayable, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in Section 7 of the Terms and Conditions. If you fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the Shares acquired under the Plan.

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), you will not be eligible for such a loan to cover the Tax-Related Items. In the event that you are a director or executive officer and the Tax-Related Items are not collected from or paid by you by the Due Date, the amount of any uncollected Tax-Related Items will constitute a benefit to you on which additional income tax and National Insurance contributions will be payable. You will be responsible for reporting and paying any income tax and National Insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

ADVANCED MICRO DEVICES, INC.
2004 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT GRANT NOTICE

Advanced Micro Devices, a Delaware corporation (the "Company"), pursuant to its 2004 Equity Incentive Plan, as amended and restated (the "Plan"), hereby grants to the holder listed below ("Participant"), this award of restricted stock units set forth below (the "RSUs"). This award of RSUs is subject to all of the terms and conditions set forth herein and in the Terms and Conditions for Participants Located in the U.S. Restricted Stock Unit Award (the "Terms and Conditions") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Terms and Conditions.

Participant: _____

Grant Date: _____

Total Number of Restricted Stock Units: _____ shares

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Terms and Conditions and this Grant Notice. Participant has reviewed the Terms and Conditions, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Terms and Conditions and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Terms and Conditions.

ADVANCED MICRO DEVICES, INC.

PARTICIPANT

By: _____
Print Name: _____
Title: _____
Address: _____

By: _____
Print Name: _____
Address: _____

**TERMS AND CONDITIONS FOR PARTICIPANTS LOCATED IN THE U.S.
RESTRICTED STOCK UNIT AWARD
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN**

The following Terms and Conditions, together with the accompanying Restricted Stock Unit Grant Notice (Grant Notice) and Confirmation of Grant of Restricted Stock Units (RSUs), comprise your agreement with Advanced Micro Devices, Inc. (the Company) regarding the RSUs.

1. **Vesting of Shares Subject to Restricted Stock Units.** The RSUs will vest on the date(s) shown on the Grant Notice if you continue to perform the duties assigned to you by the Company's management in a manner and with results satisfactory to the Company's management and remain an employee of the Company through each vesting date.

2. **Issuance of Shares.** After the RSUs vest, the shares will be issued in your name without restrictions as soon as practicable after you have satisfied withholding tax obligations (see paragraph 5 (a), below.)

3. **Nontransferability of Restricted Stock Units.** The RSUs may not be pledged, assigned, sold, or otherwise transferred.

4. **Forfeiture of Restricted Stock Units.** If your employment with the Company terminates for any reason before the vesting date(s) shown on the Grant Notice, your unvested RSUs will be cancelled and you will not have any right to receive shares of AMD common stock (Shares) pursuant to the RSU.

5. **Other Terms and Conditions.**

a. **Withholding Tax.** The RSUs will become taxable to you upon the date that the Shares vest (the Tax Date). On the Tax Date you will be required to pay an amount to the Company to enable the Company to satisfy its obligation to withhold federal and state withholding taxes arising on the Tax Date. The withholding taxes must be paid by (i) cash from your account at the broker designated by AMD (Designated Broker) for such purpose or (ii) the selling of sufficient Shares on the Tax Date. If AMD in its sole discretion considers you to be an "insider" and the vesting date of these RSUs falls outside of an open stock trading window, unless otherwise determined by AMD you may have shares withheld to satisfy your minimum withholding tax obligations. If your election to pay withholding taxes by cash is not received by the deadline for such election or if there is insufficient cash in your account at the Designated Broker on the Tax Date to cover withholding tax obligations, you hereby authorize the Company to withhold from cash compensation otherwise payable to you or arrange for the sale or withhold a sufficient number of Shares from the total number of Shares otherwise deliverable to you upon vesting to cover minimum withholding tax obligations.

b. **The Plan.** This Agreement is further subject to the terms and provisions of the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the Plan). Only certain provisions of the Plan are described in these Terms and Conditions. As a condition to your receipt of the RSUs and the Shares upon vesting, you acknowledge and agree to these Terms and Conditions and the terms and provisions of the Plan. Capitalized terms which are not otherwise defined in these Terms and Conditions shall have the meanings assigned to them in the Plan.

c. **Stockholder Rights.** Until the Shares are issued, you have no right to vote or receive dividends or any other rights as a stockholder exist with respect to the RSUs.

d. **Employment Relationship.** Nothing in these Terms and Conditions shall confer on you any right to continue in the employ of the Company, or shall interfere with or restrict rights of the Company, which are hereby expressly reserved, to discharge you at any time, with or without cause.

e. **Change of Control.** If your employment is terminated by the Company for any reason other than for Misconduct or, if applicable, by you as a result of a Constructive Termination, within one year after a Change of Control, then the Shares shall become fully vested upon the date of termination.

f. **Declination of RSUs.** If you wish to decline your RSUs, you must complete and file the Declination of Grant form with Corporate Compensation and Benefits by the deadline for such declination. Your declination is non-revocable, and you will not receive a grant of stock options or other compensation as replacement for the declined RSUs.

g. **Recovery in the Event of a Financial Restatement.** In the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Administrator will review all equity-based compensation (including the RSUs) awarded to you if you are at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that you were directly involved with fraud, misconduct and/or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by governing law and as appropriate under the circumstances, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to you, including (without limitation) by cancellation, forfeiture, repayment and/or disgorgement of profits realized from the sale of securities of the Company; *provided, however*, the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator shall take into account such considerations as it deems appropriate, including governing law and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation.

6. **Compliance with Laws and Regulations.** The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

7. **Successors and Assigns.** The Company may assign any of its rights under these Terms and Conditions. These Terms and Conditions shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer contained herein, these Terms and Conditions will be binding upon you and your heirs, executors, administrators, legal representatives, successors and assigns.

8. **Governing Law; Severability.** These Terms and Conditions shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. If any provision of these Terms and Conditions is determined by a court of law to be illegal or unenforceable, that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

9. **Further Instruments.** The parties agree to execute further instruments and to take further actions as may be reasonably necessary to carry out the purposes and intent of these Terms and Conditions.

10. **Headings.** The captions and headings of these Terms and Conditions are included for ease of reference only and will be disregarded in interpreting or construing these Terms and Conditions. All references herein to Sections will refer to Sections of these Terms and Conditions.

11. **Entire Agreement.** The Plan, these Terms and Conditions, the Grant Notice and the Confirmation of Grant of Restricted Stock Units constitute the entire agreement and understanding of the parties with respect to the subject matter of this these Terms and Conditions, and supersede all prior understandings and agreements, whether oral or written, between the parties with respect to the specific subject matter hereof.

ADVANCED MICRO DEVICES, INC.

2004 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT GRANT NOTICE FOR PARTICIPANTS LOCATED OUTSIDE THE U.S

Advanced Micro Devices, a Delaware corporation (the "Company"), pursuant to its 2004 Equity Incentive Plan, as amended and restated (the "Plan"), hereby grants to the holder listed below ("Participant"), this award of restricted stock units set forth below (the "RSUs"). This award of RSUs is subject to all of the terms and conditions set forth herein and in the Terms and Conditions for Participants Located outside the U.S. Restricted Stock Unit Award (the "Terms and Conditions") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Terms and Conditions.

Participant: _____

Grant Date: _____

Total Number of Restricted Stock Units: _____ shares

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Terms and Conditions and this Grant Notice. Participant has reviewed the Terms and Conditions, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Terms and Conditions and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Terms and Conditions.

ADVANCED MICRO DEVICES, INC.

PARTICIPANT

By: _____
Print Name: _____
Title: _____
Address: _____

By: _____
Print Name: _____
Address: _____

TERMS AND CONDITIONS FOR PARTICIPANTS LOCATED OUTSIDE THE U.S.

RESTRICTED STOCK UNIT AWARD
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN

The following Terms and Conditions, together with the accompanying Confirmation of Grant of Restricted Stock Units (“*RSUs*”), the Restricted Stock Unit Grant Notice for Participants Located Outside of the U.S. (“*Grant Notice*”) and any country-specific terms and conditions contained in the Appendix (as described in Section 17, below), comprise your agreement (the “*Agreement*”) with Advanced Micro Devices, Inc. (the “*Company*”) regarding the RSUs awarded under the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the “*Plan*”). Capitalized terms not specifically defined herein shall have the same meaning assigned to them in the Plan

1. **Vesting of Restricted Stock Units.** The RSUs will vest on the date(s) shown on the Grant Notice provided that you continue to be a Service Provider through each vesting date.
2. **Issuance of Shares.** After the RSUs vest, the shares will be issued in your name without restrictions as soon as practicable after you have satisfied Tax-Related Items obligations (see Section 5, below) and subject to any country-specific terms and conditions set forth in the Appendix.
3. **Nontransferability of Restricted Stock Units.** The RSUs may not be pledged, assigned, sold, or otherwise transferred.
4. **Forfeiture of Restricted Stock Units.** If your status as a Service Provider terminates for any reason before the vesting date(s) shown on the Grant Notice, your unvested RSUs will be cancelled and you will not have any right to receive shares of AMD common stock (“*Shares*”) pursuant to the RSUs.
5. **Responsibility for Taxes.** Regardless of any action the Company or your employer (the “*Employer*”) takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“*Tax-Related Items*”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant, vesting or settlement of the RSUs, the issuance of Shares upon settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (1) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; or
- (2) withholding from proceeds of the sale of Shares acquired upon vesting/settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or
- (3) withholding in Shares to be issued upon vesting/settlement of the RSUs.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

Finally, you shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

6. Other Terms and Conditions

a. **The Plan**. This Agreement is further subject to the terms and provisions of the Plan. Only certain provisions of the Plan are described in these Terms and Conditions. As a condition to your receipt of the RSUs and the Shares upon vesting, you acknowledge and agree to the terms and conditions of the Agreement and the terms and provisions of the Plan.

b. **Stockholder Rights**. Until the Shares are issued, you have no right to vote or receive dividends or any other rights as a stockholder with respect to the RSUs.

c. **Employment Relationship**. Nothing in the Agreement shall confer on you any right to continue in the employ of your Employer nor shall interfere with or restrict rights of your Employer, which are hereby expressly reserved, to discharge you at any time, with or without cause provided in compliance with applicable local laws.

d. **Change of Control**. If your employment is terminated by your Employer for any reason other than for Misconduct or, if applicable, by you as a result of a Constructive Termination, within one year after a Change of Control, then the Shares shall become fully vested upon the date of termination.

e. **Declination of RSUs**. If you wish to decline your RSUs, you must complete and file the Declination of Grant form with Corporate Compensation and Benefits by the deadline for such declination. Your declination is non-revocable, and you will not receive a grant of stock options or other compensation as replacement for the declined RSUs.

f. **Recovery in the Event of a Financial Restatement**. In the event the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Administrator will review all equity-based compensation (including the RSUs) awarded to Company employees at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that any such Company employee was directly involved with fraud, misconduct and/or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by governing law and as appropriate under the circumstances, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to you, including (without limitation) by cancellation, forfeiture, repayment and/or disgorgement of profits realized from the sale of securities of the Company; *provided, however*, the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator shall take into account such considerations as it deems appropriate, including governing law and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation.

7. Nature of Grant. In accepting the grant, you acknowledge that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past;

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- (c) all decisions with respect to future RSU grants, if any, will be at the sole discretion of the Company;
- (d) your participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate your employment relationship at any time;
- (e) you are voluntarily participating in the Plan;
- (f) the RSUs and the Shares subject to the RSUs are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of your employment contract, if any;
- (g) the RSUs and the Shares subject to the RSUs are not intended to replace any pension rights or compensation;
- (h) the RSUs and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer, its Parent, or any Subsidiary or Affiliate of the Company;
- (i) the RSU grant and your participation in the Plan will not be interpreted to form an employment contract or relationship with the Company, its Parent or any Subsidiary or Affiliate of the Company;
- (j) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (k) in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of your employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of Applicable Laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;
- (l) in the event of termination of your employment (whether or not in breach of local labor laws), your right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that you are no longer actively employed and will not be extended by any notice period mandated under applicable local laws (e.g., active employment would not include a period of "garden leave" or similar period pursuant to applicable local laws); the Administrator shall have the exclusive discretion to determine when you are no longer actively employed for purposes of your RSU grant; and
- (m) the RSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

9. **Data Privacy.** *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other RSU Award Documentation by and among, as applicable, the Employer, the Company, its Parent or any Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

You understand that Data will be transferred to a Company-designated Plan broker, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, its Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

10. **Compliance with Laws and Regulations.** The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

11. **Successors and Assigns.** The Company may assign any of its rights under the Agreement. The Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer contained herein, the Agreement will be binding upon you and your heirs, executors, administrators, legal representatives, successors and assigns.

12. **Governing Law; Severability.** The Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

If any provision of the Agreement is determined by a court of law to be illegal or unenforceable, in whole or in part, that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

13. **Further Instruments.** The parties agree to execute further instruments and to take further actions as may be reasonably necessary to carry out the purposes and intent of the Agreement.

14. **Language.** If you have received the Agreement or any other Award Documentation translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

15. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

16. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

17. **Headings.** The captions and headings of the Agreement are included for ease of reference only and will be disregarded in interpreting or construing the Agreement. All references herein to Sections will refer to Sections of the Agreement.

18. **Appendix.** Notwithstanding any provisions in the Award Documentation, the RSU grant shall be subject to any special terms and conditions for your country set forth in an Appendix to the Terms and Conditions. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan. The Appendix constitutes part of the Agreement.

19. **Entire Agreement.** The Plan, these Terms and Conditions, the Appendix, the Grant Notice and the Confirmation of Grant of Restricted Stock Units constitute the entire agreement and understanding of the parties with respect to the subject matter of the Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties with respect to the specific subject matter hereof.

APPENDIX

Terms and Conditions for Participants Located Outside the U.S.

Restricted Stock Unit Award

Advanced Micro Devices, Inc. 2004 Equity Incentive Plan

This Appendix to the Terms and Conditions for Participants Located Outside the U.S. includes additional terms and conditions that govern the grant RSUs in your country. Capitalized terms not explicitly defined in this Appendix have the definitions ascribed to them in the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the “*Plan*”) and/or the Terms and Conditions for Participants Located Outside the U.S. (as applicable).

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of December 2008. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at vesting of the RSUs or the subsequent sale of the Shares or receipt of any dividends or dividend equivalents.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, the information contained herein may not be applicable to you.

ARGENTINA

Notifications

Securities Law Information. Neither the RSUs nor the issuance of Shares are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Information. In the event that you transfer proceeds in excess of US\$2,000,000 from the sale of Shares into Argentina in a single month, you will be subject to certain exchange control laws. Please note that exchange control regulations in Argentina are subject to frequent change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have.

AUSTRALIA

Notifications

Securities Law Information. If you acquire Shares pursuant to the RSUs and you offer the Shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. You should obtain legal advice on disclosure obligations prior to making any such offer.

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding A\$10,000 and international fund transfers. The Australian bank assisting with the transaction will file the report. If there is no Australian bank involved in the transfer, you will be required to file the report.

BELGIUM

There are no country specific provisions.

BRAZIL

Notifications

Exchange Control Information. If you are a resident or domiciled in Brazil, you will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000. Please note that the US\$100,000 threshold may be changed annually.

CANADA

Notifications

French Language Provision. The following provisions will apply if you are a resident of Quebec:

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

Termination of Service. The following provision replaces Section 4 of the Terms and Conditions:

In the event of the termination of your status as Service Provider for any reason (whether or not in breach of local labor laws), all unvested RSUs shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination from your Employer, or (2) the date you are no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively providing service for purposes of the RSUs.

Authorization to Release and Transfer Necessary Personal Information. The following provision supplements Section 9 of the Terms and Conditions:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, any Parent, Subsidiary or Affiliate and the Administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Parent, Subsidiary or Affiliate to record such information and to keep such information in your employee file.

CHINA

Terms and Conditions

Settlement of Restricted Stock Units and Sale of Shares. The following provision supplements Section 2 of the Terms and Conditions:

You agree to maintain any Shares you obtain upon vesting in an account with the designated plan broker prior to sale. Further, you agree to sell all shares issued upon vesting of the RSUs promptly upon notice of termination of your employment with the Company or its Parent, Subsidiary, Affiliate or the Employer. You agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on your behalf pursuant to this authorization) and you expressly authorize the Company's designated broker to complete the sale of such Shares. You agree to sign any forms and/or consents required by the Company's broker to effectuate the sale of Shares in case of termination of employment. You acknowledge that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Furthermore, you acknowledge that the sale of Shares upon termination of employment will be made as soon as administratively possible after stock plan administration is aware of your termination, but the Company is not committing to sell the Shares at any particular time after termination of employment. However, you are always free to sell the Shares yourself at any time prior to the date the Company arranges for the sale of the Shares. Upon the sale of the Shares, the Company agrees to pay you the cash proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related

Items. You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the sale of the Shares issued upon the vesting of the RSUs to China. You further understand that, under Applicable Laws, such repatriation of your cash proceeds may need to be effectuated through a special exchange control account established by the Company, its Parent, Subsidiary or Affiliate or the Employer, and you hereby consent and agree that any proceeds from the sale of any Shares you acquire may be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FRANCE

Notifications

Tax Information. The RSUs are not intended to be French tax-qualified Awards.

Terms and Conditions

French Language Provision. By signing and returning this Agreement, you confirm having read and understood the documents relating to the Plan which were provided to you in English language. You accept the terms of those documents accordingly.

French translation: *En signant et renvoyant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

FINLAND

There are no country specific provisions.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If you use a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of Shares acquired under the Plan, the bank will make the report for you. In addition, you must report any receivables, payables, or debts in foreign currency exceeding an amount of €5,000,000 on a monthly basis.

HONG KONG

Terms and Conditions

Warning : *The RSUs and Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to Service Providers of the Company, its Parent, Subsidiary or Affiliate. The Agreement, including this Appendix, the Plan and other incidental Award Documentation have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor has the Award Documentation been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each eligible Service Provider of the Employer, the Company, its Parent or any Subsidiary or Affiliate and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Appendix, or the Plan, you should obtain independent professional advice.*

Settlement of Restricted Stock Units and Sale of Shares. The following provision supplements Section 2 of the Terms and Conditions:

In the event your RSUs vest and Shares are issued to you within six months of the date of grant, you agree that you will not dispose of any Shares acquired prior to the six-month anniversary of the date of grant.

Notifications

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

INDIA

Terms and Conditions

Fringe Benefit Tax Obligation. By accepting the RSUs, you consent and agree to assume any and all liability for fringe benefit tax that may be payable by the Company and/or the Employer in connection with the RSUs at the discretion of the Company and/or the Employer. Further, by accepting the RSUs, you agree that the Company and/or the Employer may collect the fringe benefit tax from you by any of the means set forth in Section 5 of the Terms and Conditions, or any other reasonable method established by the Company. You also agree to execute any other consents or elections required to accomplish the foregoing, promptly upon request by the Company.

Notifications

Exchange Control Information. You understand that you must repatriate any proceeds from the sale of Shares acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. You will receive a foreign inward remittance certificate ("FIRC") from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of fund in the event the Reserve Bank of India or the Employer requests proof of repatriation.

IRELAND

Notifications

Director Notification Obligation. If you are a director, shadow director or secretary of the Company's Irish Parent, Subsidiary or Affiliate, you must notify the Irish Parent, Subsidiary or Affiliate in writing within five business days of receiving or disposing of an interest in the Company (e.g., RSUs, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary).

ITALY

Terms and Conditions

Authorization to Release and Transfer Necessary Personal Information. The following provision replaces in its entirety Section 9 of the Terms and Conditions:

You understand that the Employer and/or the Company may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all RSUs or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing your participation in the Plan. You are aware that providing the Company with your Data is necessary for the performance of the Agreement and that your refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.

The Controller of personal data processing is Advanced Micro Devices, Inc., One AMD Place, Sunnyvale, California 94088, USA, and, pursuant to D.lgs 196/2003, its representative in Italy is Advanced Micro Devices, Spa. Via Montefeltro, 420156 Milano, Italy. You understand that the Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to the vesting of the RSUs or cash from the sale of such Shares may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in Italy or elsewhere, including outside of the European Union and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. The processing activity, including the transfer of your personal data abroad, outside of the European Union, as herein specified and pursuant to Applicable Laws and regulations, does not require your consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. You understand that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2003.

You understand that Data will be held only as long as is required by law or as necessary to implement, administer and manage your participation in the Plan. You understand that pursuant to art. 7 of D.lgs 196/2003, you have the right, including but not limited to, access, delete, update, request the rectification of your Data and cease, for legitimate reasons, the Data processing. Furthermore, you are aware that your Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting a local representative available at the following address: Advanced Micro Devices, Spa. Via Montefeltro, 420156 Milano, Italy.

Plan Document Acknowledgment. In accepting the RSUs, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix. You further acknowledge that you have read and specifically and expressly approve the following sections of the Terms and Conditions: Section 1: Vesting of Restricted Stock Units, Section 2: Issuance of Shares; Section 4: Forfeiture of Restricted Stock Units; Section 5: Responsibility for Taxes; Section 7: Nature of Grant and the Authorization to Release Transfer Necessary Personal Information above.

Notifications

Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; and (b) any foreign investments or investments (including proceeds from the sale of RSUs acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to income in Italy. You exempt from the formalities in (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on your behalf.

JAPAN

There are no country specific provisions.

KOREA

Notifications

Exchange Control Information. If you realize US\$500,000 or more from the sale of Shares, Korean exchange control laws require you to repatriate the proceeds to Korea within 18 months of the sale.

MALAYSIA

Notifications

Malaysian Insider Trading Notification. You should be aware of the Malaysian insider-trading rules, which may impact your acquisition or disposal of Shares or rights to Shares under the Plan. Under the Malaysian insider-trading rules, you are prohibited from acquiring or selling Shares or rights to Shares (e.g., an Award under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Shares once such information is generally available.

Director Notification Obligation. If you are a director of the Company's Malaysian Parent, Subsidiary or Affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Parent, Subsidiary or Affiliate in writing when you receive or dispose of an interest (e.g., an Award under the Plan or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

Terms and Conditions

No Entitlement or Claims for Compensation. These provisions supplement Sections 6 and 7 of the Terms and Conditions:

Modification. By accepting the RSUs, you understand and agree that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement. The Award of RSUs the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability. The Company, with registered offices at One AMD Place, Sunnyvale, CA 94088, U.S.A., is solely responsible for the administration of the Plan and participation in the Plan and the acquisition of Shares does not, in any way, establish an employment relationship between you and the Company since you are participating in the Plan on a wholly commercial basis and the sole employer is Advanced Micro Devices, Blvd. Manuel Ávila Camacho No. 40, Torre Esmeralda 1, Piso 18 Col. Lomas de Chapultepec México DF, CP 11000—México., nor does it establish any rights between you and the Employer.

Plan Document Acknowledgment. By accepting the Award of RSUs, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Agreement in their entirety and fully understand and accept all provisions of the Plan and the Agreement.

In addition, by signing the Agreement, you further acknowledge that you have read and specifically and expressly approve the terms and conditions in Section 7 of the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company and any Parent, Subsidiary or Affiliate are not responsible for any decrease in the value of the Shares underlying the RSUs.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of your participation in the Plan and therefore grant a full and broad release to the Employer, the Company and any Parent, Subsidiary or Affiliate with respect to any claim that may arise under the Plan.

Spanish Translation

Reconocimiento de la Ley Laboral. *Estas disposiciones complementan el apartado 14 del Acuerdo:*

Modification. *Al aceptar las Unidades de Acción Restringida, usted reconoce y acuerda que cualquier modificación del Plan o su terminación no constituye un cambio o desmejora de los términos y condiciones de empleo.*

Declaración de Política. *El Otorgamiento de Unidades de Acción Restringida de la Compañía en virtud del Plan es unilateral y discrecional y, por lo tanto, la Compañía se reserva el derecho absoluto de modificar y discontinuar el mismo en cualquier tiempo, sin responsabilidad alguna.*

La Compañía, con oficinas registradas ubicadas en One AMD Place, Sunnyvale, CA 94088, U.S.A., es la única responsable de la administración del Plan y de la participación en el mismo y la adquisición de Acciones no establece de forma alguna una relación de trabajo entre usted y la Compañía, ya que su participación en el Plan es completamente comercial y el único empleador es Advanced Micro Devices, Blvd. Manuel Ávila Camacho No. 40, Torre Esmeralda 1, Piso 18 Col. Lomas de Chapultepec México DF, CP 11000—México, así como tampoco establece ningún derecho entre la persona que tenga el derecho a optar y el Empleador.

Reconocimiento del Documento del Plan. Al aceptar el Otorgamiento de las Unidades de Acción Restringida, usted reconoce que ha recibido copias del Plan, ha revisado el mismo, al igual que la totalidad del Acuerdo y, que ha entendido y aceptado completamente todas las disposiciones contenidas en el Plan y en el Acuerdo.

Adicionalmente, al firmar el Acuerdo, reconoce que ha leído, y que aprueba específica y expresamente los términos y condiciones contenidos en la Renuncia de Derecho o Reclamo por Compensación, apartado 7 del Acuerdo, en el cual se encuentra claramente descrito y establecido lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el mismo es ofrecida por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, así como su Sociedad controlante, Subsidiaria o Filiales no son responsables por cualquier disminución en el valor de las Acciones en relación a las Unidades de Acción Restringida.

Finalmente, declara que no se reserva ninguna acción o derecho para interponer una demanda en contra de la Compañía por compensación, daño o perjuicio alguno como resultado de su participación en el Plan y, en consecuencia, otorga el más amplio finiquito al Empleador, así como a la Compañía, a su Sociedad controlante, Subsidiaria o Filiales con respecto a cualquier demanda que pudiera originarse en virtud del Plan.

NETHERLANDS

Notifications

Insider-Trading Notification. You should be aware of the Dutch insider-trading rules, which may impact the sale of Shares issued to you at vesting and settlement of the RSUs. In particular, you may be prohibited from effectuating certain transactions involving Shares if you have inside information about the Company. If you are uncertain whether the insider-trading rules apply to you, you should consult your personal legal advisor.

POLAND

Notifications

Exchange Control Information. If you hold foreign securities (including Shares) and maintain accounts abroad, you may be required to file certain reports with the National Bank of Poland. Specifically, if the value of securities and cash held in such foreign accounts exceeds €10,000, you must file reports on the transactions and balances of the accounts on a quarterly basis by the 20th day of the month following the end of each quarter and an annual report by no later than January 30 of the following calendar year. Such reports are filed on special forms available on the website of the National Bank of Poland.

SINGAPORE

Notifications

Securities Law Information. The Award of RSUs is being made in reliance of section 273(1)(f) of the Securities and Futures Act (Cap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA.

Director Notification Obligation. If you are a director, associate director or shadow director of the Company’s Singapore Parent, Subsidiary or Affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company’s Singapore Parent, Subsidiary or Affiliate in writing when you receive an interest (e.g., an Award or Shares) in the Company or any Parent, Subsidiary or Affiliate. In addition, you must notify the Company’s Singapore Parent, Subsidiary or Affiliate when you sell Shares or shares of any Parent, Subsidiary or Affiliate (including when you sell Shares issued upon vesting and settlement of the RSUs). These notifications must be made within two days of acquiring or disposing of any interest in the Company or any Parent, Subsidiary or Affiliate. In addition, a notification of your interests in the Company or any Parent, Subsidiary or Affiliate must be made within two days of becoming a director.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provision supplements Section 7 of the Terms and Conditions:

By accepting the RSUs, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan document.

You understand that the Company has unilaterally, gratuitously and in its sole discretion decided to grant RSUs under the Plan to individuals who may be Consultants, Directors and Employees throughout the world. The decision is limited and entered into based upon the express assumption and condition that any RSUs will not economically or otherwise bind the Company or any Parent, Subsidiary or Affiliate, including the Employer, on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the RSUs are granted on the assumption and condition that the RSUs shall not become part of any employment contract (whether with the Company or any Parent, Subsidiary or Affiliate, including the Employer) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, you understand and freely accept that there is no guarantee that any benefit whatsoever shall arise from the grant of RSUs, which is gratuitous and discretionary, since the future value of the RSUs and the underlying Shares is unknown and unpredictable. You also understand that this grant of RSUs would not be made but for the assumptions and conditions set forth hereinabove; thus, you understand, acknowledge and freely accept that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the RSUs and any right to the underlying Shares shall be null and void.

Notifications

Exchange Control Information. You must declare the acquisition of Shares to the *Dirección General de Política Comercial e Inversiones Exteriores* (“DGPCIE”) of the *Ministerio de Economía* for statistical purposes. You must also declare the ownership of any Shares with the Directorate of Foreign Transactions each January while the Shares are owned. In addition, you wish to import the share certificates into Spain, you must declare the importation of such securities to the DGPCIE.

When receiving foreign currency payments derived from the ownership of Shares (*i.e.*, dividends or sale proceeds), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the following information: (i) your name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

SWEDEN

There are no country specific provisions.

TAIWAN

Notifications

Exchange Control Information. You may acquire and remit foreign currency (including proceeds from the sale of Shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, you must submit a foreign exchange transaction form and also provide supporting documentation to the satisfaction of the remitting bank.

If the transaction amount is US\$500,000 or more, you may be required to provide additional supporting documentation to the satisfaction of the remitting bank. Please consult your personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information. When you sell Shares issued to you at vesting and settlement of the RSUs, you must repatriate all cash proceeds to Thailand and then convert such proceeds to Thai Baht within 360 days of repatriation. If the amount of your proceeds is US\$20,000 or more, you must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If you fail to comply with these obligations, you may be subject to penalties assessed by the Bank of Thailand. You should consult your personal advisor before taking action with respect to remittance of proceeds from the sale of Shares into Thailand. You are responsible for ensuring compliance with all exchange control laws in Thailand.

TURKEY

There are no country specific provisions.

UNITED ARAB EMIRATES

There are no country specific provisions.

UNITED KINGDOM

Terms & Conditions

Tax Acknowledgment. The following provisions supplement Section 5: Responsibility for Taxes in the Terms and Conditions:

You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to account to HMRC with respect to the event giving rise to the Tax-Related Items (the “**Taxable Event**”) that cannot be satisfied by the means described in Section 5 of the Terms and Conditions. If payment or withholding is not made within ninety (90) days of the Taxable Event or such other period as required under U.K. law (the “**Due Date**”), you agree that the amount of any uncollected Tax-Related Items shall (assuming you are not a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended)) constitute a loan owed by you to the Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current HMRC Official Rate and it will be immediately due and repayable, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in Section 5 of the Terms and Conditions. If you fail to comply with your obligations in connection with the Tax-Related Items as described in this section, the Company may refuse to deliver the Shares acquired under the Plan.

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), you will not be eligible for such a loan to cover the Tax-Related Items. In the event that you are a director or executive officer and the Tax-Related Items are not collected from or paid by you by the Due Date, the amount of any uncollected Tax-Related Items will constitute a benefit to you on which additional income tax and National Insurance contributions will be payable. You will be responsible for reporting and paying any income tax and National Insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Derrick R. Meyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 4, 2010

/s/ Derrick R. Meyer

Derrick R. Meyer
President and
Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Thomas J. Seifert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: August 4, 2010

/s/ Thomas J. Seifert

Thomas J. Seifert
Senior Vice President,
Chief Financial Officer

Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 26, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2010

/s/ Derrick R. Meyer

Derrick R. Meyer

President and

Chief Executive Officer

Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 26, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2010

/s/ Thomas J. Seifert

Thomas J. Seifert
Senior Vice President,
Chief Financial Officer