EXHIBIT 16

FORM 8-K

ADVANCED MICRO DEVICES INC - amd

Filed: October 20, 2000 (period: October 11, 2000)

Report of unscheduled material events or corporate changes.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 11, 2000

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	1-7882	94-1692300
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One AMD Place,
P.O. Box 3453
Sunnyvale, California — 94088-3453

(address of principal executive offices) — (Zip Code)

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

Item 5. Other Events.

On October 11, 2000, Advanced Micro Devices, Inc. (the "Company") announced its third quarter sales. The Company reported record net income of $408,567,000 on record sales of $1,206,549,000 for its third quarter ended October 1, 2000. Net income amounted to $1.18 per diluted share. The full text of the press release is set forth in Exhibit 99.1 attached hereto and is incorporated in this report as if fully set forth herein.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

Number	Exhibit
99.1	Press release dated October 11, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ADVANCED MICRO DEVICES, INC.

Date: October 18, 2000

By: /s/ Robert J. Rivet

Robert J. Rivet
Senior Vice President, Chief Financial Officer

Exhibit Index

Number	Exhibit

99.1 Press release dated October 11, 2000.

Exhibit 99.1

NEWS RELEASE

CONTACT:
John Greenagel
Strategic Communications
(408) 749-3310

Toni Beckham
Investor Relations
(408) 749-3127

AMD REPORTS THIRD QUARTER RESULTS

AMD reports record sales, record operating income, and record net income of $409 million; sales up by 82 percent from third quarter of 1999 -

SUNNYVALE, CA -- October 11, 2000 -- AMD today reported record sales of $1,206,549,000, record operating income of $262,844,000, and record net income of $408,567,000 for the quarter ended October 1, 2000. Net income amounted to $1.18 per diluted share. The company's third-quarter results included a one-time gain of $336,899,000 resulting from the sale of the company's voice communications business (Legerity) during the quarter, and charges of $22,980,000 relating to the retirement of senior secured notes. Net income excluding one-time gains and charges was $219,301,000, or $0.64 per diluted share, also a record.

Aggregate sales of the company's flagship products - PC processors and flash memory devices - more than doubled from the third quarter of 1999, and grew by more than 10 percent sequentially from the second quarter of 2000. Total sales grew by 82 percent from the third quarter of 1999. Notwithstanding the absence of sales from the company's voice communications business, which was sold during the quarter, total sales grew by slightly more than 3 percent from the immediate-prior quarter.

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In the immediate-prior quarter, AMD reported sales of $1,170,437,000, operating income of $250,197,000, and net income of $207,142,000, or $0.60 per diluted share. In the like period of 1999, AMD reported sales of $662,192,000, an operating loss of $98,990,000, and net loss of $105,545,000, or a loss of $0.36 per share.

For the first nine months of 2000, AMD reported sales of $3,469,015,000, operating income of $693,710,000, and net income of $805,058,000, or $2.36 per diluted share. For the same period of 1999, AMD reported total sales of $1,888,894,000, an operating loss of $392,642,000, a net loss of $154,016,000, or a loss of $0.52 per share. The results for the first nine months of 1999 included a one-time, after-tax gain of $259,236,000 from the sale of Vantis Corporation, and restructuring and other special charges of $32,530,000.

The earnings per share and number of shares used in the earnings-per-share data for all periods presented reflect the two-for-one stock split that was effective August 21, 2000.

"Sales growth was led by continuing extraordinary demand for AMD flash memory devices, whose sales more than doubled over the same period of 1999 and grew by 17 percent sequentially on record unit sales," said W.J. Sanders III, chairman and chief executive officer. "Demand for AMD flash memory products continues to exceed supply. Demand also continues to be broadly based, reflecting strength in cellular telephones, set-top boxes, automotive applications, Internet infrastructure products, and mobile Internet appliances.

"In a tougher market than anticipated, AMD achieved record PC processor revenues on record unit sales, which were up more than 50 percent year-on-year and 10 percent sequentially," Sanders said. "We continued our excellent operational execution and met our aggressive goal of sequentially doubling combined AMD Athlon(TM) and AMD Duron(TM) processor sales to more than 3.6 million units. Our position as the reliable provider of the world's fastest PC processors contributed immensely to our success in gaining market share worldwide, particularly in the performance sector.

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"The newest version of the AMD Athlon processor, featuring performance-enhancing on-chip L2 cache memory, is an overwhelming success, and demand remains strong. The recently introduced AMD Duron processor is the performance leader in the value space, and is on the steepest ramp of unit shipments of any processor in AMD's history. We continue to work closely with our customers and infrastructure partners to meet the challenge of providing the best performing personal computers at all price points," Sanders concluded.

The company's total bookings in the third quarter were a record, with a book-to-bill ratio greater than 1:1.

Current Outlook

The company's outlook statements are based on current expectations. The following statements are forward-looking, and actual results could differ materially. The company's current outlook is based on the following projections for its flagship products.

In the fourth quarter, the company again expects to sell out its production of AMD Athlon processors. The company expects that sales of AMD Athlon processors, AMD Duron processors, and PC processors in the aggregate will set new records, individually and collectively, in both units and dollars. For the year, the company expects that total sales of PC processors will easily exceed earlier projections of 25 million units, with the final tally projected to be approximately 28 million units, compared to last year's 18.8 million units. The company projects that sales of AMD PC processors will be between 8 and 9 million units in the fourth quarter based on a total market projected to be between 43 and 45 million units.

The company's production capacity ramp will be the limiting factor in growth in sales of AMD flash memory products in the fourth quarter. The company projects that demand for AMD flash memory products will continue to exceed supply for the foreseeable future.

The company projects that total sales will grow in the high-single-digit range sequentially, resulting in annual sales of approximately $4.8 billion, compared to approximately $2.9 billion in 1999.

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AMD Teleconference

AMD will hold a teleconference for the financial community at 2:30 PM Pacific Daylight Time today to discuss third-quarter financial results. AMD will provide a real-time audio broadcast of the teleconference on the Investor Relations page of its web site at http://www.amd.com or http://www.streetfusion.com. The webcast will be available for two weeks after the teleconference.

AMD will also provide a telephone recording of the teleconference, which will be available at approximately 4:30 PM PDT today. Interested persons may listen to the playback of the teleconference by calling the following toll-free number: 1-800-633-8284 and entering the code number 16399094.

Cautionary Statement

This release contains forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements in this release involve risks and uncertainty that could cause actual results to differ materially from current expectations. There can be no assurance that demand for the company's products will continue at current or greater levels, or that the company will continue to grow revenues, operating profit, or earnings. There are also risks that the company will not be able to produce the AMD Athlon and AMD Duron processors in the volume, speed mix or with the feature set necessary to meet customer requirements and the company's plans and goals; that Intel Corporation pricing, marketing programs, new product introductions or other activities targeting the company's processors business will prevent attainment of the company's current processor sales plans; that third parties may not provide timely or adequate infrastructure solutions to support the AMD Athlon and AMD Duron processors; that the company will not be able to grow demand for its PC processors sufficiently to utilize fully its processor production capacity; and that uncertain global economic conditions or Middle East tensions will cause lower than expected demand for the company's products. We urge investors to review in detail the risks and uncertainties in the company's Securities and Exchange Commission filings, including but not limited to the report on Form 10-K for the year ended December 26, 1999.

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About AMD

AMD is a global supplier of integrated circuits for the personal and networked computer and communications markets with manufacturing facilities in the United States, Europe, Japan, and Asia. AMD produces microprocessors, flash memory devices, and support circuitry for communications and networking applications. Founded in 1969 and based in Sunnyvale, California, AMD had revenues of $2.9 billion in 1999. (NYSE: AMD).

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WORLD WIDE WEB: Press announcements and other information about AMD are available on the Internet via the World Wide Web. Type http://www.amd.com at the URL prompt.

NOTE TO EDITOR: Readers may obtain additional information by calling 1-800-222-9323 or 408-749-3060. Technical Support Email: hw.support@amd.com

Advanced Micro Devices, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands except per share amounts)

	Quarter Ended (Unaudited)			Nine Months Ended (Unaudited)	
	Oct. 1, 2000	Jul. 2, 2000	Sept. 26, 1999	Oct. 1, 2000	Sept. 26, 1999
Net sales	$ 1,206,549	$ 1,170,437	$ 662,192	$ 3,469,015	$ 1,888,894
Cost of sales	639,010	612,567	474,119	1,857,334	1,382,889
Research and development	162,764	155,651	157,626	479,712	484,850
Marketing, general and administrative	141,931	152,022	129,437	438,259	381,267
Restructuring and other special charges	-	-	-	-	32,530
	943,705	920,240	761,182	2,775,305	2,281,536
Operating income (loss)	262,844	250,197	(98,990)	693,710	(392,642)
Gain on sale of Legerity	336,899	-	-	336,899	-
Gain on sale of Vantis	-	-	-	-	432,059
Interest income and other, net	19,789	19,935	6,757	60,852	24,777
Interest expense	(17,382)	(11,244)	(18,033)	(40,105)	(56,883)
Income (loss) before income taxes, equity in joint venture and extraordinary item	602,150	258,888	(110,266)	1,051,356	7,311
Provision for income taxes	175,009	51,778	-	226,787	167,350
Income (loss) before equity in joint venture and extraordinary item	427,141	207,110	(110,266)	824,569	(160,039)
Equity in joint venture	4,406	32	4,721	3,469	6,023
Income (loss) before extraordinary item	431,547	207,142	(105,545)	828,038	(154,016)
Extraordinary item - debt retirement net of tax benefit	22,980	-	-	22,980	-
Net income (loss)	$ 408,567	$ 207,142	$ (105,545)	$ 805,058	$ (154,016)
Net income (loss) per common share					
Basic					
Income (loss) before extraordinary item	$ 1.38	$ 0.67	$ (0.36)	$ 2.69	$ (0.52)
Net income (loss)	$ 1.31	$ 0.67	$ (0.36)	$ 2.61	$ (0.52)
Diluted					
Income (loss) before extraordinary item	$ 1.24	$ 0.60	$ (0.36)	$ 2.42	$ (0.52)
Net income (loss)	$ 1.18	$ 0.60	$ (0.36)	$ 2.36	$ (0.52)
Shares used in per share calculation					
- Basic	311,943	309,625	295,223	307,942	293,934
- Diluted	352,893	352,973	295,223	350,082	293,934

Advanced Micro Devices, Inc.
CONSOLIDATED BALANCE SHEETS*
(Thousands)

	October 1, 2000	December 26, 1999
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 1,233,497	$ 596,511
Accounts receivable, net	687,692	429,809
Inventories	290,426	198,213
Deferred income taxes	73,981	55,956
Prepaid expenses and other current assets	167,253	129,389
Total current assets	2,452,849	1,409,878
Property, plant and equipment, net	2,505,801	2,523,236
Investment in joint venture	266,232	273,608
Other assets	147,110	170,976
	$ 5,371,992	$ 4,377,698
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	387,022	387,193
Accrued compensation and benefits	175,458	91,900
Accrued liabilities	289,372	273,689
Income tax payable	25,696	17,327
Deferred income on shipments to distributors	113,755	92,917
Current portion of long-term debt, capital lease obligations and other	73,026	47,626
Total current liabilities	1,064,329	910,652
Deferred income taxes	182,977	60,491
Long-term debt, capital lease obligations and other, less current portion	1,223,475	1,427,282
Stockholders' equity:		
Capital stock:		
Common stock, par value	3,226	2,992
Capital in excess of par value	1,311,042	1,120,460
Retained earnings	1,678,290	873,235
Accumulated other comprehensive loss	(91,347)	(17,414)
Total stockholders' equity	2,901,211	1,979,273
	$ 5,371,992	$ 4,377,698

* Amounts as of October 1, 2000 are unaudited. Amounts for December 26, 1999 are derived from the December 26, 1999 audited financial statements.

EXHIBIT 17

FORM 10-K405

ADVANCED MICRO DEVICES INC - amd

Filed: March 21, 2000 (period: December 26, 1999)

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

Product Defects. One or more of our products may possibly be found to be defective after we have already shipped such products in volume, requiring a product replacement, recall or a software fix which would cure such defect but impede performance. We may also be subject to product returns which could impose substantial costs on us and have a material and adverse effect on our business.

Essential Manufacturing Materials. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. For example, a few foreign companies principally supply several types of the IC packages purchased by us, as well as by the majority of other companies in the semiconductor industry. Interruption of supply or increased demand in the industry could cause shortages in various essential materials. We would have to reduce our manufacturing operations if we were unable to procure certain of these materials. This reduction in our manufacturing operations could have a material adverse effect on our business.

International Manufacturing and Foundries. Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; Suzhou, China; and Singapore; or by subcontractors in the United States and Asia. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers. Foreign manufacturing and construction of foreign facilities entail political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if we were unable to assemble and test our products abroad, or if air transportation between the United States and our overseas facilities were disrupted, there could be a material adverse effect on our business.

Flash Memory Products

The demand for Flash memory devices has recently increased due to the increasing use of equipment and other devices requiring non-volatile memory such as:

- cellular telephones;
- routers which transfer data between local area networks; and
- PC cards which are inserted into notebook and subnotebook computers or personal digital assistants.

As a result, the demand for Flash memory devices currently exceeds the available supply. In order to meet this demand, we must increase our production of Flash memory devices through FASL and FASL II or through foundry or similar arrangements with others. We cannot be certain that the demand for Flash memory products will remain at current or greater levels, or that we will have sufficient capacity to meet the demand for Flash memory devices. Our inability to meet the demand for Flash memory devices could have a material adverse effect on our business.

Competition in the market for Flash memory devices will increase as existing manufacturers introduce new products and industry-wide production capacity increases, and as Intel continues to aggressively price its Flash memory products. We expect competition in the marketplace for Flash memory devices to continue to increase in 2000 and beyond. It is possible that we will be unable to maintain or increase our market share in Flash memory devices as the market develops and as existing and potential new competitors introduce competitive products. A decline in our Flash memory device business or decline in the gross margin percentage in this product line could have a material adverse effect on our business.

Key Personnel

Our future success depends upon the continued service of numerous key engineering, manufacturing, marketing, sales and executive personnel. We may or may not be able to continue to attract, retain and motivate qualified personnel necessary for our business. Loss of the service of, or failure to recruit, key engineering design personnel could be significantly detrimental to our product development programs or otherwise have a material adverse effect on our business.

Demand for Our Products Affected by Asian and Other Domestic and International Economic Conditions

While general industry demand is currently strengthening, the demand for our products during the last few years has been weak due to the general downturn in the worldwide semiconductor market and an economic crisis in Asia. A renewed decline of the worldwide semiconductor market or economic condition in Asia could decrease the demand for microprocessors and other ICs. A significant decline in economic conditions in any significant geographic area, either domestically or internationally, could decrease the overall demand for our products which could have a material adverse effect on our business.

EXHIBIT 18

REDACTED IN ITS ENTIRETY

EXHIBIT 19

REDACTED IN ITS ENTIRETY

EXHIBIT 20

REDACTED IN ITS ENTIRETY

EXHIBIT 21

REDACTED IN ITS ENTIRETY

EXHIBIT 22

REDACTED IN ITS ENTIRETY

EXHIBIT 23

REDACTED IN ITS ENTIRETY

EXHIBIT 24

FINAL TRANSCRIPT

Thomson StreetEvents℠

AMD - Q3 2001 Advanced Micro Devices Earnings Conference Call

Event Date/Time: Oct. 17. 2001 / 5:30PM ET
Event Duration: 45 min

OVERVIEW

AMD reported lower revenues on record unit sales of AMD Athlon and AMD Duron Processors at Depressed Prices. Revenue for Q3 was $766 million, down 22% from Q2 of 2001 and down 36% from the company's record Q3 of 2000.

CONFERENCE CALL PARTICIPANTS

Editor

ROBERT J. RIVET

HECTOR DE J. RUIZ

W. J. SANDERS

CHRIS CASO

TIM MAHON

WALID MAGHRIBI

STEPHEN WISE

ERIC ROSS

DAN SCOVO

GERRY CHIF

ROMESH MISHRA

KEVIN LEE

MAT CHIN

SUMIT DANDA

STEVE JOHN

ERIC CHEN

TRANSCRIPT

Editor

Ladies and gentlemen, thank you for standing by. Welcome to the AMD third quarter earnings release conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in the question and answer session. At that time, if you have a question you will need to press the 1 followed by the 4 in your telephone. This conference call is being recorded Wednesday October 17, 2001. I would now like to turn the conference call over to Robert J. Rivet, Senior Vice President and Chief Financial officer with AMD. Please go ahead, sir.

ROBERT J. RIVET

Thank you [Ron]. Good afternoon and welcome to AMD third quarter earnings teleconference call. I am Bob Rivet. With me here today in Sunnyvale and hosting this call was Jerry Sanders our Chairman and Chief Executive Officer. Also present are Mr. Hector de J. Ruiz, our President and Chief Operating Officer, MR. Walid Maghribi Senior Vice President and President of our Memory Group and Mr. Ben M. Anixter Vice President of External Affairs. I will begin by summarizing our third quarter highlights and then turn over it to Hector and finally to Jerry. This conference call is a live broadcast and we will replay via the Internet at www.streetfusion.com and www.AMD.com. The taped form replay number for North America is 800-633-8284. Outside the US dial 858-812-2375. The code to access the call is the same for both and that number is 197-26-232. Before we begin the conference call, I would like to caution everyone the we will be making forward-looking statements about managements goals, plans, and expectations as you know the semiconductor industry is volatile and in a severe downturn. Our product and process technology development projects and our manufacturing processes are complex. Current worldwide economic conditions make it especially difficult to forecast product demand. Because the actual results may differ materially from our plans and expectations today, I encourage you to review our filings with the SEC with the Securities and Exchange Commission where we discussed in detail the risk factors in our business. You will find detailed discussion on our most recent Form-10K filing with the SEC. Lets begin. Revenue for third quarter was $766 million down 22% from the second quarter of 2001 and down 36% from our record third quarter of 2000. In our microprocessor product line, we achieved record unit sales of AMD Athlon and AMD Duron processors in the quarter. Our home PC processor unit sales through the third quarter were in excess of 7.7 million units and remained at the record levels of the immediate prior quarter. We believe we held unit market share in the 22% range. Our microprocessor product revenues declined 21% from the second quarter of the current year due to lower average selling price and extremely aggressive competitive environment. Revenue in our Memory product line declined by 34%, from the second quarter of 2001, inline with our forecast. With our top line declining both year on year and sequentially, our ability to stand at length was obviously challenged. Pro forma operating income was a loss of a $135 million for the quarter, which results in $0.28 per share loss. Our pro forma operating statement exclusive of the fact of restructuring and other special charges that this will limit will our provisions associated with the fab 14 -15 closure and the effects to the charge for impaired investments. Total Pro forma adjustments were $118 million and $1890 million on a pretax and aftertax basis respectively. Net income including the one-time charge as mentioned above in accordance with generally accepted accounting principles for the quarter was a loss of $187 million or $0.54 cents per share. Gross margin on a pro forma basis was 23% for the quarter, down 14% points from the second quarter of 2001. Revenue declines in our Memory product line and the ASP pressures in our microprocessor business have significantly impacted the margins. Factory execution of both output and yield productivity was better than the second quarter. Research and development spending was on plan at $161 million for the quarter, down 6% from the second quarter of this year. Marketing general and administrative spending was also on plan at $152 million for the quarter, down 3% from the second quarter of this year. Switching to the balance sheet, we will talk about cash, inventory, and capital expenditures. First cash, during the third quarter we repurchased 6.3 million shares of our common stock at a cost of $76 million. In addition, we retired the remaining senior debenture notes resulting in a cash outflow of $43 million during the quarter. Cash flow from operations excluding capital additions was positive. Our cash balance into the quarter at $904 million, down a $153 million from the second quarter of 2001. We completed the quarter with $449 million of inventory, up $48 million from the second quarter. Inventories for both our microprocessor and Flash product lines or appropriate for our plans for the fourth quarter. Capital spending for the third quarter was a $164 million. More than half of which was addressed and depreciation expenses a $160 million for the quarter. For our modeling for the fourth quarter, please consider the following: Our tax schedule will continue at 27%, capital spending for the year will be somewhat less than our previously revised goal of $900 million of the year. W6e will complete fab 30 and install a 130-nm capacity on schedule this year. Depreciation expense for the year will be about $650 million. For your EPS calculations, use 348 million shares for the fourth quarter. Finally, R&D investments for the year will be about $660 million. I will now turn this over to Hector to start the business segment discussions. Hector?

HECTOR DE J. RUIZ

Thank you Bob. Supplies market continues to be weak and general. Although all market segments appeared to have stabilized, the communications and networking segments are at their lowest level in two years. It is now believed that at this time in Flash could be down as much as 30% this year over the last year and our expectations are our R&D will be down around 25% for the year, thus out performing the market. This quarter as previously guided our Flash revenue was down 33% from the previous quarter. We have begun to see moderate business activity in Flash as result of new products introduced, which address new applications and provide at its feature looking cell phones, particularly those dealing with GPRS protocol. We expected new product activity and the bottoming out of the rest of the market to lead to moderate revenue growth in the fourth quarter. Jointly with our partners with Dukes, we continued to invest in new products, new technology, and new state of the art capacity as evidenced by the beginning of production shipments out of our latest fab JB 3 in [Isowakamatsa] Japan this quarter. This will potential on FASL the joint venture between Fujitsu and AMD to continue to be the market leader in this important segment as it recovers. In the microprocessor business, we shipped over 7.7 million units this quarter ... the same record unit ship and level of the second quarter. We believe that in an aggressive pricing environment, we were able to hold our unit share around 22%. Fab 30 continues to ramp to full capacity in terms of way for stocks and we expect the fab to reach this goal by year-end as previously noted. The performance of this factory continues to be outstanding and we continued to sell out its output. As planned, we will begin conversion to a 130-nm technology before the end of this year, and we expect to be totally converted by the end of 2002. We are thrilled about our progress in this area, as microprocessor telecom from this fab at 130-nm it is exhibiting great yields and outstanding of robust mix. The introduction of Athlon XP has been greatly successful and the demand for this product is currently robust. We are positioning our product mix and manufacturing plans to take advantage of this anticipated strong demand for the product. We played significant emphasis on cost and capital reductions this quarter and we will continue to do so in the months ahead. Although, incurring an operating loss this quarter we are on plan on cost management programs and expect it to be at somewhat less than $900 million of capital expenditure previously anticipated. We are doing things without impacting our key new product and technology. Our foundry support business the greatest significantly here as a result of continuous deterioration of the communication business of our customers. Thus, leading to the accelerated shut down of our older fab ... fab 14 and fab 15 in Austin, Texas by the end of the second quarter of next year. We are confidently positioning our products, technology, and our business models to return to profitability as the markets recovers. We have the strongest position in the history of the company relative to product and technology competitiveness and we are confident that our business model will lead to profitable growth. With that I would turn this to Jerry for further comments and outlooks.

W. J. SANDERS

Thanks Hector. I just like down that in PC processors we believe that in most we lost $0.7 of a percent of market share last quarter. With the industry shipments of processors estimated at about 37 million units, $0.7 of a percent in market share is only a few 100,000 units. We think that maintaining market share in the 22% range and the extremely weak market in the phase of extraordinary competitive practices is a noteworthy achievement and a testament to the competitiveness of our product offering. Sales of power managed Athlon IV and Duron for the mobile market more than doubled in the quarter and we are on track to meet our goal of 50% share of market in US retail mobile PC sales by year-end. We gained traction in the multiprocessor, server, and workstation market with our Athlon NP. The key to our future success will be those products and most importantly the Athlon XP that we just introduced with ringing endorsements from third parties on. the performance superiority of Athlon XP over Pentium IV even running in clock speed higher than we position the Athlon XP the challenge be optimistic we can arrest the precipitous decline in ASPs, which is the overwhelming reason for our disappointing results. Going forward, we see continuing strength in Europe, new opportunities in Asia, and recovery in the US driven by our new product offerings. Japan is weak and the overall competitive environment remains intense. Under such conditions, the ability to forecast is challenging to say the least. Nevertheless, we believe we will achieve record unit sales of PC processors in Q4, and I would be extremely disappointed if our PC unit sales numbers don't start of with an 8. The wild card in projecting revenues is of course twice and this leads us to plan on revenues for PC processors in a wide range from flat with the just completed quarter the sales growth as much as 10%. With the company as a whole, in light of the lack of visibility, we project revenues for the fourth quarter in a broad range from flat to the last quarter to a high single digit growth. We are monitoring economic developments closely and exploring several initiatives to improve our cost structures while noting that our strong balance sheet should enable us to weather the downturn, which most likely has been extended several quarters by declining consumer confidence resulting from recent events. Thank you. I will open it for questions. [Ron] would you please arrange the Q&A?

Operator

Thank you ladies and gentleman if you wish to register a question for today's question and answer session, you will need to press the 1 followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you wish to withdraw your phoning request, you may do so by pressing the 1 followed by 3. If you are on a speakerphone, please pick up your handset before entering your request. One moment please for the first question. The first question comes from Chris Caso with Wit Sound View Group. Please go to the question.

CHRIS CASO

Hi, this Chris Caso for Scott Randall. I am just wondering if you could provide some color on how your shipments tracked sequentially through the quarter ... If you saw a seasonal, I guess, typical seasonality and what sort of a fact you might have seen from the September 11th events.

ROBERT J. RIVET

Well as usual the third quarter was the most back end lowly of any of the quarters. That was not different this year than any other year. We shipped an awful lot in the very last week of the quarter because of the disruptions in the transportation system with the air traffic issues. Nevertheless, we managed to meet our customer's entire requirement and I am very, very pleased with the operational performance of the company and that we did not have any impact on our shipments for the quarter as a result of the terrorist attacks.

CHRIS CASO

Okay thank you.

Operator

Tim Mahon from CS First Boston. Please go ahead with your question.

TIM MAHON

Thanks ... Walid I think this might be targeted towards you. Can you tell us what the capacity utilization is at FASO?

WALID MAGHRIBI

It depends on the technology. We have three different kind of fabs ... the [CS- 59] or the 0.32 micron. The capacity is very long it is in the 50%. Whereas on the quarter our micron capacities utilization is 100% and on the [CS-59] to 0.18 micron as you know our fab just was released of production and we will start shipping the product this quarter from that fab, so beginning of a new fab. Technology on that [____].

TIM MAHON

Great and then just a followup on that ... you know may be you can give us an idea of what percentage of your Flash units in revenues come from, lets call low density versus high density and low density being four Meg and below?

WALID MAGHRIBI

Four Meg and below out of the 200 in the 10 million ... I would say less that 10%.

TIM MAHON

Okay. Given some of the strength from one your competitors in the low-density market ... can you see you guys split 50% capacity utilization at one fab, kind of, getting more aggressive may be in the low density market?

ROBERT J. RIVET

I will answer that on that Walid. I am very proud to say that while we have maintained profitability in the memory group, which he deserves [____] and he is managing for profitability and chasing a lot of low-density business at low margins ... it is probably not too smart.

WALID MAGHRIBI

I think the numbers reflect exactly the strategy that we have implemented it is the Flash sale was down 33% and the unit shipment was only down by 29%. Though our ASP has increased and that is very usual in the current market situation and that is mainly because we have walked away with some very, very low-density product at prices that does not even the cover the variable cost.

TIM MAHON

Okay great. Last one that I promise ... in addition to Samsung, can you tell us who all supplies you [____] for stocked devices?

WALID MAGHRIBI

I prefer at this moment not to say because we are in the process of negotiating contracts and fact that Samsung on is our major supplier.

TIM MAHON

Great thanks Walid.

Operator

[Stephen Wise] from Wiseman associates. Please go ahead with your question.

STEPHEN WISE

Good afternoon and my wishes on a good quarter. Jerry, I have a couple of questions for you. Right now as companies are looking to change the way they handle their manufacturing facilities with the soft economy is the demand changing at the mandate changing ... a lot of your competitors are moving towards a more demand-driven manufacturing model. How is the AMD looking to move towards a model like this if they have already have not done so and what is your IT strategy as support to stopping model?

W. J. SANDERS

Let me answer the first part of the question and let Hector comment on our IT strategy and something we are doing to have a demand model. First and foremost, we have a magnificent factory in fab 30, which is ramping to full production and we are converting it over to a 130 nanometer technology. We think this is our secret weapon if you will. It can produce over 50 million units a year and in the 130-nm technology, I will remind you we have an extremely small dye on the Athlon product. Only 80 square millimeters, which is dramatically different than our competitors dye. So, our issue there is ramp that production as quickly as we can, move it to 130-nm, try and use all of our products, and we are very happy with that factory. Our major factory fab 25 ... we are converting to a flash factory with leading edge technology to give us a better balance with the opportunities. So, I think that we feel comfortable that we got an extraordinary asset in fab 30, which will enable us to successfully prosecute the PC processor market and even in the most competitive environment and we are going to improve our cost structures over all by moving fab 25 into Flash. Hector, do you want to comment on the IC stuff and the ERP?

HECTOR DE J. RUIZ

Sure. We have embarked on the ... approximately now a little over a year on a fairly major proxy on the company to be more, I guess, yield-driven if I can use that expression for running our company and what we have done and perhaps may be giving you a little more background that you might want is we have taken full-time executives and senior managers which are very receivable function in the company from finance to sales, manufacturing etc to form a people that is actually in excess of 200 full-time employees on a project based on an SAP package, which will result in over the next two years and not a cliff occurrence at the end of two year, but it occurred monotonically between now and another two years ... it will have a full implementation on the ERP program that will be closely tied to our customers. I do not think we are appropriate to give some of the specific ideas we have in mind on what to do, but the bottom line is that we intend to provide a service to our customers that will be unique and very powerful and the feedback from the customer that we have talked to on what we intend to do is extremely positive, and of course in which we could have gotten there a year ago, and we are working hard to do that.

STEPHEN WISE

Jerry what are you also looking to do as you aggressively time inventories currently right now to try to reduce the inventory left in the quarter?

W. J. SANDERS

It looks to me like our inventories are in good line; as though Bob pointed out we do not think we have it. We are selling virtually everything we are making in fab 30. So as we move to the new products we are selling everything out. So, any inventory build are ramping up the new product ... so I feel very comfortable with that.

STEPHEN WISE

Okay and final question. What would you say your top three initiatives are for either 2002 and how you do plan to go back on presenting those?

W. J. SANDERS

Hammer, Hammer, and Hammer. Hammer is the future we got an extraordinary opportunity here to break into markets we have never been in ... hammering in bodies all of the important initiatives. Number one, it moves us into ... top to bottom from servers all the way to laptop that family does, it gives us the opportunity to go to silicon-ion-insulator, and it gives us the chance to have a truly differentiated solution so that our customers are going to have the only opportunity to compete against the Dell model. Finally, I would be [____] if I did not point out that while hammer, hammer, hammer are my top 3 there is a number 4 and that four is narrow bit technology from flat, which will allow us to offer with no compromise on reliability or performance have the costs and double the density. So, we feel that when the uptum comes we are going to kick ass.

STEPHEN WISE

Great, thank you very much.

Operator

Eric Ross with Thomas Weisel Partners. Please go ahead with your question.

ERIC ROSS

Yes, I got a couple of questions. When are you going to ramp up fab 25 with the 0.13 micron copy you talked about doing that after fab 30 ... is that on the word now?

W. J. SANDERS

Somewhere along line you are misinformed or misunderstood. We have no intentions as ever of putting copper into fab 25. Fab 25 will become a flash fab ... flash does not use copper and it does not have that many layers of connect net committed. So, fab 25 will become a flash fab by the end of next year.

ERIC ROSS

I apologize about that and just two other really quick questions ... is SOI is that on time in your roadmap as well?

W. J. SANDERS

Hector, do you want to comment?

HECTOR DE J. RUIZ

Yeah, SOI is an interval part of our plans from hammer and as Jerry said hammer, hammer, hammer ... that product is based totally on SOI and we expect that over time, our whole product line will migrate to SOI. Therefore by definition, it is on target, it is on sometime, and we are very pleased with the results we have seen so far.

ERIC ROSS

One last question. With full utilization of fab 30 ... is that going to significantly reduce your cost going forward in the outline as you especially run this?

HECTOR DE J. RUIZ

Absolutely, it turns that the dye size of the Athlon and the 130 Nm only 80 square millimeters. I just point out that this gives us some 315-dye candidates for wafer Intels North wood will be no more than 180 dye candidates per wafer. So, we think we got a real edge on them on cost structure here. So, they could not continue to increase revenues and reduce their operating profits, but I think that is a full variant. With no worthy to me that their revenues went up $266 million sequentially in processors and their operating process went down $118 million. Normally, in a leverage business when your revenues go up ... your profits go up. So, it is pretty clear that this desire to cut off our air supply is not painless to them.

ERIC ROSS

I appreciate it. Thank you.

Operator

[Dan Scovo] from Newman Company. Please go ahead with your question.

DAN SCOVO

With regards to microprocessors ... where all of your processor shipment Athlon and Duron or was there any sort of legacy hanging around that?

ROBERT J. RIVET

100% seventh generation. Last quarter, we actually shipped less than 1% for K62 that were 0, actually 0000 everything we shipped in Q3 with Athlon and Duron.

DAN SCOVO

With regards to looking out next year, obviously, you do not want to give a whole lot of details, but I was just wondering if you could probably revive something like some tax rate looking into the next year or so?

ROBERT J. RIVET

I would like to actually put that off until November 08, 2001 when we have our analyst meeting. We expect to be a much better position to give you guys some real guidance on what next year is going to be all about. We have got off side meetings next week among the top management; we expect that after that we are going to get some of our details out to you guys.

DAN SCOVO

Also, can you give us status with the regards to the future manufacturing facilities after fab 25 is converted to Flash and after fab 30 is ramped up and converted to 0.13?

ROBERT J. RIVET

That is an interesting question though as I pointed out when we go to 130 nm, we will be 100% converted to 130 nm by the end of next year. We can produce more than 50 million units a year in that fab. I point out that, that would be more than the 30% market share that everyone says we will never get to except us. So, I think the question is interesting but irrelevant. Meanwhile, we do have plans so that when we have to more than 50 million units a year we will be target and I think we will have some more comments on that also on November 8th.

DAN SCOVO

Also with regards to some of your other businesses ... the communication product and foundry services, I guess, how should we profile that ... should we assume that it will, kind of, go away after a couple of quarters or less?

ROBERT J. RIVET

I would say it is finally going to go of the foundry business should be gone by the third quarter of next year as our chief financial officer says. I hope that is true. The other business is just is going to be a steady decline going forward, but I do not think it will go away. It is currently running around 40-50 million a quarter.

DAN SCOVO

Thank you very much.

Operator

Mark Edelstone from Morgan Stanley. Please go into your question.

GERRY CHIF

Thank you. This is Gerry Chif for Mark ... a couple of questions if I could. First of all on something that you might have a little more control over, could you talk about what the operating expenses is going to be like in the fourth quarter and how that may trend in the next one or two quarters. Second of all, Gerry I am pretty sure you did not talk about the exact time frame for the eighth generation launch that ... would you care to know that range a little bit, for us here?

ROBERT J. RIVET

I will answer the second part. We are targeting the late next year for the launch of the hammer family ... we are sticking with that. As far as the operating expenses, we are in a very tight cost control kind of environment with the lack of visibility. I would anticipate, kind of, as I said if you do the math, kind of the same as we have had in the third quarter and fourth quarter with a slightly little bit better cost control.

GERRY CHIF

Okay, would you expect that to be the case in the fist half of next year as well?

ROBERT J. RIVET

I am sorry repeat the question?

GERRY CHIF

Would you expect that expense control level to be about the same in the first half of next year?

ROBERT J. RIVET

Yes, we will adjust accordingly to the business environment we are in. We will not go and sacrifice any R&D expenditures. We will continue to try to work to lower our break-even point, which currently is around the $950 million level.

GERRY CHIF

Okay, thank you very much.

Operator

Ladies and gentleman if you do have an additional question at this time, please press the 1 followed by the 4 on your telephone. John Joseph from Salomon Smith Barney please go ahead with your question.

ROMESH MISHRA

Hi good afternoon, this is [Romesh Mishra] for John Joseph. I had a question in regards to your mobile Athlon ... the Palameno product ... you haven't talked too much about this on this call ... what is the outlook over there and how is the competitive landscape in that place and also are our ASPs in the mobile space holding up any better?

ROBERT J. RIVET

The answer is that we are very pleased with the progress we are making there. You might have missed, but I pointed out that we expect to have 50% share of market in US retail mobile by the end of this year. That is not the strength of the Athlon for and the power managed Duron. So, that is going extremely well. We are very pleased with that and the ASPs are of course better than desktops. So, that is one of the reason we hope that we can attenuate this price attrition that that we have been seeing.

ROMESH MISHRA

And in the competitive landscape especially in light of the new product introductions from [Transmet] and of course Intel.

ROBERT J. RIVET

[Transmet] is not relevant. It turns out Intel has effectively kept them out of the market the market place we serve ... the full function PC ... the mobile PC and going to thin in light next quarter and into next year as we get to the 130-nm versions of Athlon IV. Intel is the only competition.

ROMESH MISHRA

Okay, thanks very much.

Operator

John O'Neil from UBS Warburg please go into the question.

KEVIN LEE

Couple of question. I was wondering if you can accomplish through the product mix for breakdown of performance versus value in your processors this quarter and the second question will be a break down of mobile versus desktops.

ROBERT J. RIVET

Okay, first of all really the Duron for the value space, the Athlons for the performance base, it is about 50-50. Frankly, we are having a better time selling Athlon because of the superior performance against anything that is out there and we expect that our growth in Athlon will probably exceed our growth in Durons in the current quarter. We are doing extremely well. Athlon XP is hot ... the customers like it I am very excited about that. Athlon IV as we said is good. Still our molder business is only about 5% of our total sales ... so there is a lot of upside there. What was the second part of the question?

KEVIN LEE

Well, I think you can address more questions when you address mobile purchases to be about 5% of the sales.

ROBERT J. RIVET

Okay.

KEVIN LEE

Thank you.

Operator

Joseph Osha from Merrill Lynch please ahead with your question.

MAT CHIN

Good after noon gentleman this is [Mat Chin] calling your for Osha. I would like to followup on the question just asked what percentage is server and what percentage is that you could provide that.

ROBERT J. RIVET

Okay, I guess the only guidelines this year is that we are just getting into the server space. We are shipping nearly tens of thousands currently of Athlon MT. Reception has been fantastic ... it is a very low-cost solution and we are very excited about it. But right now it is a minor part of our business and the ten of thousands.

MAT CHIN

What type of reception are you getting for the Athlon XP in the server segment?

ROBERT J. RIVET

The Athlon XP is not targeted at the server segment, the Athlon NT for multiprocessing is and there we are getting

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great response. As far as the mobile bills, as I said, mobile is about 5% of our business, the desktop is about 95% with a diminished amount obviously tens of thousands out of 7.7 million is not a very large percentage.

MAT CHIN

Great ... I would like to ask some more questions on the operating line. You mentioned that fab 14 and 15 would be phased out by the end of next year. Do you have any estimates as to when we can expect that to materially better the operations line?

ROBERT J. RIVET

First all of all, fab 14 to fab 15 should be phased out by the end of the second quarter. So, clearly the second half will have no negative impact as a result of fab 14 and fab 15. The more important thing on gross margin is one issue only ASP, ASP, ASP. Operationally, we are doing great, yields are terrific, quality is superb, costs around our control, and the ASPs are really ugly.

MAT CHIN

Finally, if I may ...are you running on the fab shutdown programs for either your factories or micro-processing factories at all in the next quarter?

ROBERT J. RIVET

No current plans as I say fab 30 is our star ... it is generating outstanding new products and in those products we are seeing strong demand for. Obviously, in fab 25 we have excess capacity. What we are trying to do is ramp down the demand for processors as we ramp up the Flash that is the challenge ahead of us, and clearly we are working out a number of new ways to find ways to minimize the cost impact.

MAT CHIN

Great thank you very much.

Operator

Douglas Lee from Bank of America securities please go ahead with your question.

SUMIT DANDA

This [Sumit Danda] calling here for Douglas Lee. A couple of quick questions. First, could you comment on sales out of your distribution channel, which is the direct sales for your OEM ... if you could give the percentages roughly for both of them and also if saw expense in one versus the other and the second question is I, sort of, missed the numbers on R&D projections and depreciation if you could give back to me again.

ROBERT J. RIVET

I will tell those numbers first. First, the R&D number we set for the year and the R&D would come in around $660 million.

SUMIT DANDA

Depreciation?

ROBERT J. RIVET

Depreciation was $600 million for the year. Relative to your other question, I would like to point out that we had extraordinary strength in the international markets. We did some 68% of our revenues during the international that is where the strength was for us because our competitive management freezes out pretty well in the US as major accounts for the quarter. We are pleased we could make up for that. We expect to do better with those guys as we go forward because of the XP and because of the Athlon IV. I don't have any specific numbers here for distribution.

SUMIT DANDA

Okay, thank you.

Operator

[Steve John] from A mutual funds. Please go ahead with your question. Mr. John your line is now open.

STEVE JOHN

Apparently, we have taken this quarter into view ... do you anticipate any further impairment be taken in the future and also if you can will those be public or private health companies?

ROBERT J. RIVET

Well. It is hard to anticipate what is going to happen in the market place. One was we had two write-downs that took place in the process ... one was public and one was private.

STEVE JOHN

And just as a followup ... I wanted to confirm your cash flow from operations ... was that a negative 43 million, I doubt, how did you say that previously ... is that correct?

ROBERT J. RIVET

Cash flow from operation was positive if you exclude the capital addition.

STEVE JOHN

Thank you.

Operator

Eric Ross please go ahead with your followup question.

ERIC ROSS

I have got a quick question. End force is obviously we don't want to talk out there would that be a driver for a very low-end unit?

ROBERT J. RIVET

We had a driver for all our units. I think it looks like a pretty attractive product.

ERIC ROSS

Do you see it end being a major contributor may be a 20% contributor to your revenues?

ROBERT J. RIVET

I would be hesitant to guess which of our chip set partners is going to be the most successful. We will leave that for our customers.

ERIC ROSS

And you had mentioned your US customers are really frozen up by your main competitor ... how does that tie in with your ability to reach 50% of the US newport market by the end of the year?

ROBERT J. RIVET

I guess we won't be frozen out this quarter.

ERIC ROSS

So, do you really think that is a temporary thing?

ROBERT J. RIVET

Yes.

ERIC ROSS

Okay, do you have a sense of what percentage of your shipments is going into corporate PC versus consumer lines?

ROBERT J. RIVET

We have a number; I think we said 27% of our business at the US was with small business and medium business that is corporations. I do not have a better number than that.

ERIC ROSS

Do you have worldwide number?

ROBERT J. RIVET

I do, but I don't have it in my head and I don't have my fingers on it and we probably get back to you outlined with the number. It is in that same range.

ERIC ROSS

Terrific and then one other question. There has been some talk about the compatibility of hyper transport with the 3G IO ... may be you can comment on that?

ROBERT J. RIVET

These things ... as a matter of fact ... we will be delighted to have our competitor implement hyper transport in some form in any other products they choose to, because they are protocols that can be comparable. Normally, hyper transport will start of inside of chip where a 3G IO is. It is something that can be viewed more as a replacement for a current BCI standard. And as you, we through a consortium we have made hyper transport totally open and of course available to anybody who would like to license.

ERIC ROSS

Thank you very much.

Operator

Eric Chen from J. P Morgan please go ahead with your question.

ERIC CHEN

Thanks and I apologize to you if this has already been asked as I got on the conference call late. My understanding has been that you will ramp 0.13-micron processes sometime in December, is that still on track at this point?

ROBERT J. RIVET

Yes it is. We are on plan to begin production before the end of the year.

ERIC CHEN

Okay. Could you also give us an update on any efforts on the 300 mm?

ROBERT J. RIVET

We are very aware of the progress that we made on 300 mm. We believe that both in Flash Memory as well as microprocessors we will be in 300 mm capability sometime in the year 2004 timeframe. So, we are pretty committed to that. The progress we have made is good and we are pleased with it.

ERIC CHEN

Okay and also would you care to characterize even just qualitatively the yield level that you are experiencing ... the adjustments side ... specifically those processes utilizing a low key process?

ROBERT J. RIVET

I think that the only comment I would like to make is that we are thrilled with a yield and productivity numbers on our fab 30 and based on the experience that all of us have in the industry, I would classify them as world class numbers, but I would want to give you any more on that.

ERIC CHEN

I understand. Thanks a lot.

Operator

Ladies and gentlemen, if you have any additional questions at this time, please press the 1 followed by the 4 on your telephone. Gentlemen, I am sure there is no further questions, please continue with your presentation or any closing remarks you may have.

ROBERT J. RIVET

Bob, we will just close it down. Thank you very much. We will talk to you soon. One last comment I would make ... we do have our annual analysts conference meeting on November 8th here in Sunnyvale California. Please attend or listen in on the video stream.

Operator

Ladies and gentlemen, this does conclude our conference call for today. You may all disconnect. Thank you for participating.

EXHIBIT 25

REDACTED IN ITS ENTIRETY

EXHIBIT 26

REDACTED IN ITS ENTIRETY

EXHIBIT 27

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01/16/2003 AMD Advanced Micro Devices (AMD) – Q4 2002
05:30 pm Financial Release Conference Call

THE OPERATOR:
Ladies and gentlemen, thank you for standing by. Welcome to the AMD fourth–quarter earnings conference call. During the presentation all participants will be in a listen only mode. Afterwards we will conduct a question–and–answer session. At that time if you have a question please press the 1 followed by the 4 on your telephone. As a reminder this conference is being recorded Thursday Jan.16, 2003. I would now like to turn the conference over to Michael Haase (phonetic) director of investor relations – please go ahead, sir.

COMPANY REPRESENTATIVE:
Thank you and good afternoon everyone. The format of this earnings call will include prepared comments, followed by Q The participants of today's call are Hector Luiz, our president and CEO, Bob Herb our executive vice president of sales and marketing and Bob RIvet, our senior vice president and chief financial officer. This call is a live broadcast and will be replayed on Internet at 2 sites. Street events.com and our own site AMD.com. The tape phone replay number for North America is 800 633 8284. Outside the United States the number is 402 977 9140. The access code for is 210 905 26. Before we begin the call I would like to caution everyone that we will be making forward–looking statements about management's goals, plans and expectations. As you know the semiconductor industry is generally volatile. Our product and process technology development projects and our manufacturing processes are complex. Current economic and industry conditions continue to make it especially difficult to forecast product demand. Because our actual results may differ materially from our plans and expectations today, I encourage you to review our filings with the Securities and Exchange Commission where we discuss in detail the risk factors in our business. You'll find detailed discussions on our most recent SEC filings including the 10–Q.

At this point I would like to begin the call and introduce our CEO, Hector De Ruiz.

MR. HECTOR DE RUIZ:
Thank you Mike. On this call I would like to start with a brief status report on our progress to bring AMD back to sustainable prosperity. I will then ask Bob RIvet to go into significant detail on both the fourth quarter and fiscal year 2002. And then I will finish with some comments on our outlook going forward before taking your questions. You may remember the last quarter we lined an aggressive (indiscernible) AMD to financial stability in the short–term while positioning ourselves for success going forward.

And in the fourth quarter we did everything we said we would do. And I'm pleased to report we have completed Phase I of our plan in which we have focused on doing 3 key things. Rebalancing our inventories in the PC supply chain both in our capital structure and reducing our breakeven points. While Bob will provide the exact details our progress in each of these areas has exceeded our own expectations.

To summarize in the last two quarters we have reduced our inventory in the business supply chain by 50 percent and we have now achieved our target levels giving us greater confidence that shipments will more closely reflect consumption as we move forward.

We improved our cash position to over 1 billion by the end of the quarter through reduced capital spending and a convertible net offering. And we took the painful step of substantially reducing our (indiscernible) – the full effects of which will be experienced by the end of the second quarter 2003.

As stated in our last call we believe that we're on track to drive our quarterly break even point below the $800 million mark by the second quarter of this year. It is important to note that we accomplished all of this and despite incredible competitive pressures, we gained market share in the PC processor business in the fourth quarter by any measure.

We are now turning our full attention to Phase II of this effort which represents an even more proactive and sustained approach to creating operational flexibility, coupled with strong revenue opportunities. With operational flexibility we are expanding our strategy to be much more responsive to our markets without sacrificing our fundamental strategy for success. We have (indiscernible) reengineering our business and have made significant progress towards a more variable cost driven operating model.

Meanwhile we continued to create incremental new revenue opportunities based on new products such as our new (indiscernible) XP 2700 plus and 2800 plus processors – the world's highest performing PC processors. The world's highest density 256 Mb more (indiscernible) flash memory devices and our new (indiscernible) XB (phonetic) processor 2200 plus. Meanwhile we continue to drive AMD's solutions into important new segments. Including high–performance computing where (indiscernible) Labs have decided to use over 10,000 of our 64 bit AMD processors to create their next generation (indiscernible) supercomputer. One of the most powerful in the world.

Mobile computing where we are expanding our franchise with HP's adoption of our mobile AMD today (indiscernible) processors in that Compaq Eagle Eyes, in the enterprise section Northrideg Utilities has decided to standardize their desktops AMD (indiscernible) Compaq systems.

Additionally in China we have form an unprecedented joint venture with a China basic educations software company to provide the ministry of education with (indiscernible) servers based AMD technology from each of our processor, memory, and PCS divisions. We have also hired Carrie Goh (phonetic), the world wide -- a world-class native Chinese executive the newest member of our AMD management team that will lead our efforts in China. I would remind you that high-performance computing, mobile computing, enterprise systems in China are all important incremental growth opportunities for AMD. And we're very pleased with our progress in each of these key segments this past quarter.

In summary, I think it is important to reflect on the fact that 2002 was an awful year. We believe the work is behind us. ANd it is our full intention to deliver on our commitment to turn this company into a sustainable engine for earnings. At this point I'd like to ask (indiscernible) Bob RIvet, to go into additional (indiscernible) annual and current quarter results.

COMPANY REPRESENTATIVE:
Thanks Hector. I will first review our fourth-quarter results for you this afternoon and then go over our fiscal 2002 numbers. This will be followed by an outline of our cost reduction progress in the fourth quarter and finally, I will provide you with some forward-looking guidance. As detailed in our press release issued this afternoon fourth-quarter sales were $686 million. This is up 35 percent compared to the third quarter consistent with our projections in early December. Stronger than expected PC processing demand and continued strength in our high density/flash memory products drove the fourth-quarter sales increase.

AMD's pro forma operating loss in the fourth quarter - which excludes the effects of restructuring and other onetime charges - was $217 million compared with a $315 million loss in the third quarter. Our operating losses was reduced by approximately $100 million or 31 percent compared to the third quarter. Driven by both $178 million of additional sales volume and our major cost reductions programs.

Operating margins (indiscernible) through on incremental sales was 55 percent. Pro forma gross margin was 26 percent for the quarter. Significant improvement from a 13 percent in the third quarter. Both quarter gross margin dollars increased by 115 million which represents a 65 percent fall through on the gross margin lines. Research and development spending, excluding onetime charges, was $203 million for the quarter down 8 percent from the prior quarter. The majority of the decrease was reduced engineering wafers and cost controls.

Marketing general and administrative spending was $194 million for the quarter up 23 percent compared to the third quarter. This increase was due to the launch of our AMD and ME brand campaign significant investment in brand awareness and holiday merchandising activity. A large portion of this increase was a seasonal expense, which we expect to be significantly reduced in the first quarter. Consistent with our November 18 press release in the fourth quarter we recorded a total of $620 million in one time charges with a cash element of $117 million. This total charge is equivalent to $1.81 per share. These include first a $131 million restructuring and special charges to align our costs structure with industry traditions. This charge was predominantly made up of employee severance related costs, lease consolidated write-offs and asset impairments.

Second, other charges totaling $46 million are recorded. These are made up of one–time RDexpenses of $42 million in connection with product development services received in the fourth quarter.

Third, we also recorded $243 million charge to income tax expense to establish a 100 percent evaluation allowance against our net to short tax assets. The tax charge will (indiscernible) tax cuts on operating losses in the fourth quarter and going forward until such time we are profitable again.

Once profitable, we expect a full utilizer (phonetic) to tax credits which should effectively reduce our corporate tax rate to 10 to 20 percent range in 2003. Depreciation and amortization for the fourth quarter was $200 million and for 2002 in total was $756 million.

Pro forma net loss for the fourth quarter was exclusive (indiscernible) restructuring other one–time charges just described was $235 million or 68 cents loss per share versus a 74 cent loss per share in the third quarter. As we had previously guided there was no tax credit recorded in the fourth quarter results. Fourth–quarter PC processor revenues were $420 million – an increase of 60 percent as compared to $262 million in the third–quarter. This increase was driven by a combination of increased unit shipments and higher ASPs. We executed on our plan to align AMD PC processor inventory in the supply chain resulting in record PC processor unit consumption in the fourth quarter.

Although the data quest consumption marketshare numbers are not out until February as Hector outlined we anticipate that we gained market share in the fourth quarter.

Revenue on our flash memory products was $217 million in the fourth quarter up 15 percent compared to the third quarter. This was the third consecutive quarter of sequential sales improvement and record bit shipments. Flash memory product sales improved based on the continued market penetration in the high–end mobile phone market especially in Asia and Europe. For (indiscernible) phones, built with high–density high–performance AMD flash memory.

Turning to the balance sheet, EBITDA in the fourth quarter improved significantly from a negative $126 million in the third quarter to negative $18 million in the fourth. This is consistent –– consistent with our previous guidance that we expect to be approaching EBITDA neutral in the fourth quarter. Cash balances end of 2002 hit over $1 billion. This includes the fourth quarter receipt of $402 million from the issuance and sale of 4 1/2 percent convertible notes due in 2007.

Capital expenditures were $138 million in the fourth quarter compared to $196 million in the third. AMD's inventory was relatively flat at $433 million up only 12 million from the third quarter – we are comfortable with our current inventory levels. Accounts Receivable Day sales outstanding improved to 55 days from the third quarter level of 81 days.

AMD's headcount at the end of the fourth quarter was 12, 800 – down from 13,200 in the third quarter. This number will continue to decline in the first and second quarters of this year as we continue to execute our restructuring plan.

Now I would like to outline some of the 2002 financial details for you.

From the fiscal year 2002 revenues were $2.7 billion down 31 percent from 2001. In our PCI processor product line, revenues finished the year at $1.7 billion (phonetic), down 28 percent from 2001. Our memory product line (indiscernible) concluded 2002 at $741 million down 35 percent from 2001. Pro forma operating loss for the year was $842 million and our net loss per share was $2. This excludes the effects of restructuring other special charges we took in the fourth quarter -- for the year EBITDA was $86 million negative.

Capital expenditures for 2002 were $705 million -- this was $45 million below our prior guidance of $750 million. I would now like to take a few minutes to go into specific details regarding our ongoing operational flexibility actions that we outlined in our November 7th analyst day meeting which Hector referred to in his opening remarks.

Last quarter we outlined several benchmarks for progress in our three--phase plan. As we move into the first quarter we are on track and successfully executing on our plan. We committed to and achieved or exceeded growing fourth quarter revenues as compared to third quarter by 35 percent. Approaching EBITDA Neutral in the fourth quarter as I said $18 million negative. At the year end cash balance of between 500 million and 900 million. 2002 year end cash balance of over $1 billion. Taking a restructuring charge in the fourth quarter as we work toward reducing our quarterly expenses by $100 million by the second quarter of this year and by a total of $350 million for the year. We took the total charge in the fourth quarter. Reducing our overall cost structure as previously (indiscernible) November by the end of the second quarter this year we expect to reduce our global workforce by 2000 positions or approximately 15 percent from our headcount base of 13,200 in the third quarter of last year. We're on track -- we completed half of that reduetion in the fourth quarter with 1,000 employees notified. Of that 1,000 employees 400 people left the Company in the fourth quarter. We will further — we will be further reducing our headcount in the first half of 2003 by the remaining balance of 1500 people. All charges associated with the headcount reductions are included in the fourth quarter charge.

As part of bolstering ur capital structure we completed our successful convertible debt offering and delivered on reducing our capital expenditures. In addition, we successfully renegotiated our long--term debt associated with our Dresden fabrication facility which will benefit cash flow in 2003 by $200 million.

As previously outlined, we continued to make progress on reducing our break even point to less than $800 million and we are targeting to achieve this in the second quarter of this year.

Turning to the outlook. (indiscernible) historical seasonal (indiscernible) suggests first quarter PC processor sales will be down 5 to 8 percentage points from the fourth quarter levels based on a richer mix we believe first--quarter sales for AMD (indiscernible) will be up and in aggregate the Company sales will be flat to nominally up. We expect to realize the first benefits of our reduction in the first quarter and remain on target to reduce our overall cost structure to below $800 million by the second quarter.

Total first--quarter out (indiscernible) expenses are expected to be down compared to the first — fourth quarter of last year. First quarter RDis expected to be flat compared with the fourth quarter of last year. first quarter SGis expected to be down significantly compared with a fourth--quarter and down slightly compared to the third quarter of last year. EBITDA (indiscernible) may be positive in the first quarter.

Our quarterly tax rate will be at 0 percent until we return to profitability. Once profitable we currently anticipate the tax range to be within the 10 to 20 percent range throughout 2003. In fiscal 2003 capital expenditures are expected to be around $650 million – $55 million dollars last than 2002.

2003 depreciation amortization expected to be around 725 to $750 million range.

In summary, we believe our fundamentals are improving, costs are under control and going forward we see better conditions for a long term sustainable prosperity. Now let me turn it back to Hector.

MR. HECTOR DE RUIZ:
Thank you Bob. There is no denying the fact that 2002 was an awful year. But we are confident the work is behind us and that we ended the year with a strong positive momentum as evidenced by our share gain processor, our third consecutive quarter of record (indiscernible) flash and over 100 design wins in our PC new business.

Now we look forward to 2003. We're making strong progress on key factors of our operational flexibility strategy and new revenue opportunities – our recent agreement with IBM is a perfect example of our operational flexibility effort. We have agreed to jointly develop 65 nm and subsequently 45 nm technology on 300 mm wafers. This brings together the two technology and manufacturing leaders in the industry and enables both of us to increase our base of innovation. We both gain access to each other's impressive engineering resources. In fact we are placing an unprecedented number of engineers on-site at IBM. We are retaining our (indiscernible) competency in process technology and as a result of our access to IBM's world class facility AMD does not need to build a 300 mm research and development facility.

We're very excited about this relationship.

AMD remains on track to begin production on the 90 nm technology in our 530 in Dresden's facility in the fourth quarter of this year. And with respect to new revenue opportunities as I mentioned earlier, our success is in novel enterprise and high-performance computers as well as our breakthrough joint venture in China. With (indiscernible) introduction to the AMD (indiscernible) XP processors based on our (indiscernible) in February and our 64-bit AMD (indiscernible) processors in April we are confident that we will be very well positioned to build on our successes in the coming year. In 2003 AMD has the unique opportunity to lead the industry to the world of pervasive 64-bit computing, from high-performance of the computers to mainstream servers all the way through to desktops and mobile PCs.

To conclude I want to remind you that we have done everything in the last quarter we said we would do. And by gaining in the market share and PC processors and closing the breakthrough relationship with IBM, even more. While seasonal patterns suggest PC processor sales would be down 5 to 8 percent in the first quarter versus the fourth quarter based on a richer product mix we expect AMD PC processor sales will be up in the first quarter and in aggregate the Company sales will be flat to nominally up.

AMD has incredible challenge, dedicated people who have been able to rapidly reinvent our Company while continuing to deliver on the needs of our customers. Our passion, commitment and sense of focus has never been stronger. We're looking forward to achieving a new level of success in the coming quarter.

Thank you for your attention and I would now like to turn it back to Mike Haase for Q

COMPANY REPRESENTATIVE:
Renee we are ready to start.

THE OPERATOR:
Ladies and gentlemen – if you would like to register a question please press the 1 followed by the 4 on your telephone. (CALLER INSTRUCTIONS) If your question has been answered and you'd like to withdraw your registration please press the 1 followed by the 3. If you're using a speakerphone please lift your handset before entering your request. One moment please for the first question. Our first question comes from the line of Mark Edelstone from Morgan Stanley.

THE CALLER:
Question if I could, Hector, on the PC related business – in fact I have two there. Could you give us a general sense as to what type of sequential unit growth you saw in the quarter?

COMPANY REPRESENTATIVE:
Yes, Mark, it's Rob Herb, as Hector mentioned (indiscernible) sales about 60 percent unit growth was approximately 40 percent for us so clearly there was also some (indiscernible) as (indiscernible) mentioned.

THE CALLER:
Thanks a lot Rob – the other question I had was I understand the comments on inventories in the channel but as I'm looking at the balance sheet there was a fairly good increase in (indiscernible) reserves in the quarter and in fact they are almost back to the levels that we saw in the first quarter of this of last year. Can you help us rectify those 2 comments?

COMPANY REPRESENTATIVE:
Yes sure – this is Bob. On the balance sheet, obviously, any product we ship into distribution until it's resold revenue is deferred. What you see on the balance sheet is the deferred revenue. What that say is we built some inventory out in the distributors (indiscernible) in anticipation of the first half of next year. Rob can comment on the consumption part of the equation but what you are seeing on the balance sheet is just the movement of how much inventory put on the (indiscernible) shelf vs. how much they sold out the door. Basically where we are at as we continue to manage our (indiscernible) consumption if you take a look at that we know it was well over 8 million units. At the same time we know that we reduced the inventory in the PC supply chain over 2 million units – I think now we are very well-positioned with (indiscernible) not being able to build PCs (indiscernible) besides putting distribution in what I call quick turn inventory so customers who are taking advantage of that in the event that they see upside in the market.

THE CALLER:
Rob do you have (indiscernible) how many units are in the channel now?

COMPANY REPRESENTATIVE:
We believe, put it in general contracts – we believe we reduced over the past couple of quarters the amount of inventory in the PC supply chain by over 50 percent we think we went from something greater than 8 weeks to something less than 4 weeks in total.

THE OPERATOR:
Adam Parker with Stanford Bernstein.

THE CALLER:
Could (indiscernible) flash is roughly 30 percent of your revenue. In your Q1 guidance what do you assume about your headset market sequentially unit growth when you make your Q1 forecast?

COMPANY REPRESENTATIVE:
Yes we still think ther is some opportunity overall 2003 particularly in the (indiscernible) segment. We did see a slowdown here late in Q4 relative to high end handsets in particular so that is putting us in a little bit more cautious approach as we go into Q1. Take a look at some comments we made we said that overall we expect to buck the trend a little bit on the PC processor side (indiscernible) and actually grow our revenues in Q1 while the (indiscernible) revenues our earnings are going to be flat (indiscernible) – one thing I point out we do have to offset some legacy businesses that go away from Q4 to Q1. But that is basically indicating our flash sales of Q1 are going to be flat to slightly up as well.

THE CALLER:
Flash (indiscernible) revenue estimate flat t slightly up in your Q1 guidance, is that?

COMPANY REPRESENTATIVE:
We are still seeing a continued shift to higher density products for (indiscernible) cell phone market. (indiscernible) (indiscernible) this quarter our overall growth was driven by (indiscernible) average in the quarter.

THE OPERATOR:
Jonathan Joseph with Salomon Smith Barney.

THE CALLER:
I wanted to ask on the flash it does sound like (indiscernible) just a touch like some of the building guidance I guess as we got towards the end of the quarter here. Was that largely a result of cancellations from signal (phonetic) customers or was it just more of a broad–based falling for the end of the quarter?

COMPANY REPRESENTATIVE:
Again it was bigtime productions what we are going to see so it was related in particular to some of the high density call phone and maybe overaggressive (indiscernible) based on the first couple of months reported. Dec. was a little like –– strictly driven by the high–performance cellphone.

THE CALLER:
And then a question about Barton and Hammer Barton –– when you say shipping in February, is that going to be in some meaningful volume that would be impacting our

revenues? or models?

COMPANY REPRESENTATIVE:
Yes.

THE CALLER:
And what's the pricing on that Rob – relative to (indiscernible) 2800?

COMPANY REPRESENTATIVE:
Clearly you have a little bit of a waterfall effect (indiscernible) introduce the new price performance. In the marketplace the prices just walk down the waterfall market introduction to revise price points (indiscernible) microprocessors 300 plus dollar range.

THE CALLER:
But you do think that this will have a positive impact on your blended average price?

COMPANY REPRESENTATIVE:
Yes. I think that as we look forward one reason we have the opportunity for revenue growth in Q1 is again an increase in our blended ASP in the processor business even if we had flat unit sells.

THE CALLER:
And then Hammer look like it is going to be formally introduced in April timeframe?

COMPANY REPRESENTATIVE:
First – servers of Hammer product now locked on April time launch – that's correct.

THE CALLER:
Would you say it's going to start impacting models here in Q2 or more Q3.

COMPANY REPRESENTATIVE:
Much more the second half of the year impact from a significant revenue activity.

THE CALLER:
Anything holding up in manufacturing on Hammer the 130 nm process moving to the 90 — 90 nm.

COMPANY REPRESENTATIVE:
No, the initial Hammers are (indiscernible) 130 (indiscernible) process so as we commence our shipments here for the end of this quarter they will largely be driving the launch plans for April.

THE CALLER:
And Barton's a 130 nm as well.

COMPANY REPRESENTATIVE:
That is correct.

THE CALLER:
the differences between (indiscernible) and (indiscernible) mostly cache size.

COMPANY REPRESENTATIVE:
Yes that's correct. Barton has a (indiscernible) runs on a 3 — 30 MHz plus – I would also point out in reference to technology questions that I believe Hector mentioned that we successfully converted all of our output relative processors to 130 nm and our focus this year was qualified in commencing production in 90 nm. All of that is going to be focused on our Hammer based technology as we go into 2004 which will open up the market to bring Hammer (indiscernible) timeframe.

THE OPERATOR:
Tim Mahon with CS First Boston.

THE CALLER:
Just a question – I am trying to understand this significant processor increase you had both revenues and units – to understand if you have normalized Q3 without the inventory charges that you took in Q3 what would the unit revenue increases have been for processors?

COMPANY REPRESENTATIVE:
I'm not quite sure how to answer that question off the cuff, to be honest. Give you a little bit of framework. From the prior conference call the kind of actions we took there was about $100 million impact that depressed our sales in the third quarter so kind of — part of — part of our growth was the fixing of that depression issue as you move forward.

THE CALLER:
Okay.

COMPANY REPRESENTATIVE:
We still had significant units in ASP improvement quarter to

quarter. **THE CALLER:**
Maybe we can go off line with that later – maybe — a follow–up question can you give us any idea of the switching cost of moving from the (indiscernible) relationship to IBM and was the $42 million charge you took in the fourth quarter somewhat related to this relationship?

COMPANY REPRESENTATIVE:
Well there's really in any way of material descriptions there is no other significant switching costs in the relationship. I do want to point out that our relationship with UNC (phonetic) (indiscernible) continues to the very strong on the foundry side. They continues to be a foundry partner and will continue to be going forward. The costs – the $42 million you referred to in the quarter was cost we took for service to work specific to product development issues and not part of the IBM long–term relationship.

THE CALLER:
And maybe just real quick for Bob – you mentioned in your prepared comments you had renegotiated the Dresden long–term debt. Wonder if you could give us detail on that? How we should be thinking about interest expense in 2003 and share (indiscernible) Thank you very mnch?

COMPANY REPRESENTATIVE:
In the renegotiation of Dresden debt the endpoint of the loan is unchanged. We renegotiated the amortization schedule – like I said we took about $200 million out of the current window. So obviously your interest expense will go up by the same interest rate no change in interest rate on the $200 million for 2003. As far as shares – I think modeling around 345 to 350 is a reasonable ballpark – until we are profitable.

THE OPERATOR:
Dan Scovel with Needham and Company.

THE CALLER:
You previously said break even (indiscernible) 75 now you are saying under 800. Am I reading maybe too much in that and you are saying the same thing?

COMPANY REPRESENTATIVE:
We're saying the same thing – I think you're reading too much into that.

THE CALLER:
Thought I would check. Also on that $42 million RDcharge I guess why do you want us to consider that sort of one time –– why wouldn't that be sort of folded into RDexpenses?

COMPANY REPRESENTATIVE:
(indiscernible) maybe Bob can comment on how we (indiscernible) but we had a very specific work that we engaged with in the fourth quarter that was (indiscernible) for that work done it is nonrecurring – that's not work (indiscernible) The IBM relationship on the other hand of course a shared RDexpense – it goes on a quarter by quarter, year by year. Right now it is a three–year relationship with options to extend it at the end of 3 years. (indiscernible) ongoing in our RDexpenses going forward.

THE CALLER:
It will be within RDexpenses going forward.

COMPANY REPRESENTATIVE:
Absolutely.

THE CALLER:
In terms of cash flow, in the quarter – I mean, obviously just from a 30,000 (indiseernible) level, debt was up over 600 million and cash was up less than 200 million. Can you give a back of the envelope view on what the cash movement there was?

COMPANY REPRESENTATIVE:
Cash flow from operations in a high–level view was under 100 million between 50 and 100 million was operating cash flow. Then we invested another 130 plus million in capital expenditures. So we did burn through 200 million in cash and we also paid off a few other small note issues from that standpoint.

So it's kind of a cash flow from operations including capital expenditures was a negative 200 million. Which we anticipate – based on our good progress in the quarter and our outlook for first–quarter as I said will be be EBITDA positive in the first quarter.

THE CALLER:
And finally, obviously, the U.S. patent breakings have come out in previous years – you guys have been sort of highlighting that. How did you do last year?

COMPANY REPRESENTATIVE:
(indiscernible) we came in at number 13 worldwide. Still ahead of Intel and HP.

THE OPERATOR:
Krishna Shankar with JMP Securities.

THE CALLER:
Can you talk a little bit about the performance of the (indiscernible) introduced in terms of your rating system about 2800 plus market what rating should we expect on (indiscernible) for desktop and the notebook?

COMPANY REPRESENTATIVE:
I can tell you that I don't think we (indiscernible) detail which models will introduce for environment increase but (indiscernible) mobile as we go forward. Specifically in February we will introduce at least (indiscernible) increased model number – more than that we don't wanna say until we get actual introduction (phonetic).

THE CALLER:
Can you give us an update on (indiscernible) desktop (indiscernible) timing of that in terms of introduction?

COMPANY REPRESENTATIVE:
At this point we haven't been able to make definite plans r change anything relative to what we are doing there, the only thing we have done is lock lot down the launch plan relative (indiscernible) for April.

THE CALLER:
And then can you –– conceptually speaking the positioning of your high end desktop for the corporate market and also your mobile product strategy vis a vis the Intel (indiscernible) product line, how you would treat your (indiscernible) mobile processor for the corporate market with (indiscernible) tie–in mobile from your competitor?

COMPANY REPRESENTATIVE:
Couple of things. Clearly (indiscernible) is an attempt by our competitor to use their unfair and undue influence in the marketplace to try to lock people into solutions that are inferior. If you look around many people will tell yo wireless solution from Intel is a very poor performance relative to (indiscernible) out there on the market AMD is (indiscernible) point for competition and we think our processor cores are very well–positioned and more (indiscernible) marketplace and align those with (indiscernible) wireless technology we think more than competitive platform and hopefully the cultures will realize and won't be bullied into that solution inferior product by competitors.

THE CALLER:
On the desktop how do you plan to complete in the corporate market with the (indiscernible) technology?

COMPANY REPRESENTATIVE:
(indiscernible) technology interesting thing (indiscernible) technology very little benefit in most application (indiscernible) a detriment in some application. One of our comments (indiscernible) measured perform application standpoint and over the long-term we actually think there can be a lot more benefit in AMD rival 5450 (indiscernible) (indiscernible) our process core along with our hyper transport interface technology and our (indiscernible) control very attractive solution and not only to the server workplace space but also both in desktop and mobile space over time.

THE CALLER:
My final question is on your production strategy to what kind of marketshare can you specifically get to by converting to indicate trust and 200 mm fab and can you also give us an update on your 300 mm fab strategy?

COMPANY REPRESENTATIVE:
Sure – let me answer that in the following manner. Today we are building an Athlon product that 130 nm (indiscernible) 85 square millimeter die. (phonetic) (indiscernible) that size design of capacity class 30 in Dresden we have the capability of producing approximately 50 million processors a year. As we move toward the Hammer desktop and beyond and let me take the first step (phonetic) which is introduction of 90 nm technology for (indiscernible) Hammer will become the workhorse part at that space, that is a 64 square millimeter part. Given the same factory – fab 30 – we're talking in excess of 75 million units that we are capable of producing. Therefore, I don't think we are worried about any lofty goals we would take on marketshare and not be able to meet just by our ability of our factor and current technology plans and growth to be able to get there. As far as the 300 mm, in the last several months, as we have worked this issue quite a bit we have been delighted by the broad range of opportunities that we have in front of us to be able to address our 300 mm challenge.

We believe we must be in volume production in the year 2006, which means we have to start engineer work in 2005. We have a number of partners potentially interested. As a matter-of-fact interest in partnering with us has increased. In addition to that we have 3 geographical locations that are very interested in us and we're exploring in Asia and Europe and now of all places in the United States. I believe that in the next few months we will be able to lock in both our partner strategy and our geographical location strategy and be able to be more specific in a few months ahead.

THE OPERATOR:
John Barton with Wachovia Securities.

THE CALLER:
Rob I wonder if you could comment on the flash business – obviously, companies made a concerted effort to go after the wireless handset area. If you could just kind of go through end market exposure by percentage of sales and flash and give us an idea how that's going and how that will trend through the year to your expectations?

COMPANY REPRESENTATIVE:
John (indiscernible) great detail there but a couple of overriding comments. We entered this year at less than 10 percent of the wireless market and end this year (indiscernible) around 20 percent of the wireless market. That drive fairly high-density/ drive (indiscernible) all of the

revenues. So it is a much bigger percentage today, clearly more than twice what it was last year. That segment of the market I think is a great opportunity for AMD as we go forward – there's going to be continued capacity constraints on leading edge technology for high–density flash for 2003. Among other segments of the market we have also had very strong position and maintained a strong position in the automotive market. The downside of where we were we had a very large portion of the overall network and infrastructure market as we ended this year and that market there remains just absolutely awful quite frankly. So we (indiscernible) . We're now certainly more dependent than we were on the cellular phone market and less dependent than we were (indiscernible) networking infrastructure market.

THE CALLER:
You made a comment about capacity constraints on the high end. Could you give us an indication of where yu are with a respected utilization of capacity date for those high end products?

COMPANY REPRESENTATIVE:
Yes you know the good news is that everything we're making on the high–end, high–performance, high–density flash is being produced and sold. We believe that the only people with the capability to deliver these kind of products really is our main competitor and us. We are at this point in time both companies I believe are probably selling whatever they can make. We believe (indiscernible) a modest uptick and we believe that will occur this year and not just modest to take the second half on the wireless side that will put a strain on the capacity and the ability. So we are converting as we speak – we are about to qualify 525 in Austin, Texas to a 130 nm flash technology and (indiseernible) facility in Japan and also (indiscernible) technology and moving rather aggressively on that. As a matter–of–fact we have moved our technology transitioning both factories up by almost a year in an effort to improve our product positioning as well as our capacity. So we are somewhat bullish long–term on high–density, high–performance – no flash.

THE CALLER:
Those comments made and your largest competitors made comments about raising prices. Do you see yourself raising – following the price range going forward are you seeing that as an opportunity to gain the market share in the little quote friendlier to the customers so to speak.

COMPANY REPRESENTATIVE:
I think it is a little bit of both. I think — if I look at where we are in the marketplace (indiscernible) generally means prices was that (indiscernible) and then rise. We certainly want to be competitive from the market's standpoint. We also approached (indiscernible) we got some agreements (indiscernible) by product ads and we are going to live up to those commitments. (indiscernible) new opportunities for business – we're certainly going to take advantage of the opportunity of competitive prices which may be (indiscernible).

THE OPERATOR:
Matthew Sheerin with Thomas Weisel.

THE CALLER:
I would like to just focus a little bit on your cost–cutting program again specifically on the SGAwhich was higher than I had expected for the Dec. quarter. Looking forward, you're looking to get down I guess below 160 for March. GIve us an idea, particularly toward the

end of the June quarter, what percentage of those cuts will come from headcount vs. overall expenses. And as you're launching new products there obviously will be some SGAexpenses related to those launch programs and just give us an idea of what you're going to be looking at there? Thanks.

COMPANY REPRESENTATIVE:
Sure, this is Bob. Let me try a little (indiscernible) Rob productline (indiscernible) category. As we outlined in the (indiscernible) Nov. 7th, probably the area we are restructuring the most that was impacted the most significantly has been the SGAcategory from a headcount reduction. We anticipated when we complete all those efforts of reengineering that area that will be in excess of a 20 percent reduction from the third quarter level in that category of costs. So (indiscernible) modeling go forward 20 percent less than the 160 of the third--quarter from that period of time. As I talked about, the fourth quarter is a seasonally important period of time for us. There were things that do not repeat when we move into the first half of this year. Rob can give a little more color on some of that and also merchandising of new products. beginning (indiscernible) docked about continuing (indiscernible) comparative company and we do look at the launc of (indiscernible) brand campaign and ongoing efforts relative to brand is critical to AMD not just in the geographies (indiscernible) merging geography where we see opportunity. Indicative to that as many of you know, we are (indiscernible) consumer part of the market in our PC space and even now from more from the flash space, so we made a concerted effort to invest and capitalize on the holiday selling season in that space and I think the results pretty much speak for themselves -- if you look at our unit shipment increase along with the reduction of (indiscernible) saw the (indiscernible) supply chain and we think it was very effective in demand and flowthrough (indiscernible) PCs based on (indiscernible) profits. So given the conscious effort investment, Q1 allows you to back away a little bit but the follow--on (indiscernible) getting some of the launch activity in the associated group products there will again be significant investment to be made in successfully launching those products.

THE OPERATOR:
Chris Stanley with J.P. Morgan.

THE CALLER:
Few questions of visibility. Can you talk about the tone of business so far in January and where you see strength and weakness fairly by seasonal trend here -- take a step back and tell us what kind of linearity you expect in Q1?

COMPANY REPRESENTATIVE:
Well let me tie them together a little bit. From a seasonality standpoint Q1 generally does start off strong. At the end of Q1 it tends to be a little weaker from the PC process and moving into loading up the system manufacturers for systems to be built for Q2 which is a relatively weak time for PC sales. So (indiscernible) indications are meeting our expectations (indiscernible) plan coming into the quarter and for right now we feel pretty good on the PC side of the house. Flash side of the house we want to make sure we understand what we saw which (indiscernible) expectation at the very end of Q4. Some of it was based on inventory adjustment, some of that may have been based on lack of demand. We just want to make sure we understand the magnitude of that relative to the flash business and I think that is probably where we got a slightly more cautious outlook relative to flash market. (indiscernible) scenario of opportunity for upside depending on what does happen with the high--end

cellphone market.

THE CALLER:
Then a question on flash and a question on processors. On flash do you guys expect units and ASPs to increase in Q1?

COMPANY REPRESENTATIVE:
I think we expect a probably — if anything, a very modest uptick in units and continuing movement toward slightly higher density just to give an example I think we were up 50 (phonetic) percent fourth–quarter third–quarter density again year on year we were up 75 percent. We expect that trend to continue and as you probably know introduction of 286 Mb just this past — the end of last year it is an indication of the pressure to continue to move toward higher and higher density. So I think modest if any unit for (indiscernible) continued growth significant growth good shipment.

THE CALLER:
That's perfect and last question on the processor side. What effect do you think an earlier Chinese new year is having on you guys? Do you think that maybe caused some strain in taking a step back when you say that your visibility in Q1 is better or worse than typical Q1 visibility? Thanks a lot.

COMPANY REPRESENTATIVE:
Chinese year question I think is having some impact that is factored into our plan here for the quarter so I don't think it is out of line with what our plans are. Relative to visibility I don't think the visibility is any different in this Q1 than it has probably been in past Q1s with the exception of last year. Q1 of 2001 was the quarter where I tell you we got blindsided a little bit, (indiscernible) shipment ended up being quite a bit higher than what was PC consumption and quite frankly as we looked at the balance of the year it started deteriorating from there. So I think last year was probably the biggest anomaly and not just for AMD but for everybody in the industry on what was going to happen in the PC market. This year I think people have a little better handle on it and I think probably equal opportunity for outside and downside as to happened in the PC market early (indiscernible) year.

THE CALLER:
Okay, just so I have that clear – do you guys expect processor units and (indiscernible) space to go up in Q1?

COMPANY REPRESENTATIVE:
We didn't make that statement. We said we expect revenues to go up and we did see some ASP upside so even if units were flat we would expect the revenue upside but we did see that as an opportunity for growth involved.

THE OPERATOR:
Ben Lynch with Deutsche Bank.

THE CALLER:
Two questions. First one relates back to Athlon 64 you seem to be giving something like 6 months heads up visibility on the Opteron (phonetic) launch. (indiscernible) more specific on Athlon 64 – does this mean the launch is more than 6 months out? If it is what sort of

remaining --- or even if it isn't what is the remaining issue with regards to the Athlon 64 launch, are there any major process or technology differences vs. the Opteron product, that is the first question please.

COMPANY REPRESENTATIVE:
Long question. See if I can catch all of it. First of all no, we made no comment relative to the current standing at the (indiscernible) launch we continued to evaluator working with our customers very closely. With right positioning of profit is a proper timing (indiscernible) price point. Relative to any significant differences between the 2 parts – clearly as we said the real volume of the product when we get down to the mainstream market are progressing on trying to drive our clock (indiscernible) that's why we continued to say the volume in revenues associated with 64 technology desktop is a second half of the year issue. As far as launching it, the launch is always associated fully with volume, what the volume ramp is.

THE CALLER:
So it's fair to say, given with the Opteron you seem to have been giving at least 6 months visibility on almost from the the beginning quarter ---and you are not doing that for (indiscernible) 64 sort of more than 6 months out?

COMPANY REPRESENTATIVE:
No, I don;'t think that is a fair statement. Clearly if we are in a position to shift (indiscernible) we could make a decision to (indiscernible) desktop clearly if you (indiscernible) infrastructure I think our infrastructure's forward is looking solid – over 25 IXCs (phonetic) 65 IHBs currently announced (indiscernible) AMD 64–bit technologies so I think you are reading too much into that. As to what it means I think desktop space we jave been deeply involved (indiscernible) handle service plays represents largest (indiscernible) opportunity for AMD. THe Opteron processors can be an absolute (indiscernible) introduction (indiscernible) processor is going to the the world's fastest server processor measure by (indiscernible) in the (indiscernible) segment which it serves. So. Take a look at all the things we got coming together and the success we are seeing with our current product offering with ur extension of that (indiscernible) based on (indiscernible) (indiscernible) have the infrastructure line we have and designer position in the market mostly in the 32 bit world as well as the 64 bit world (indiscernible) customers (indiscernible) launch. Many of our products.

THE CALLER:
And second question really a cash question – the 200 million renegotiated debt associated with Dresden – I think total amount there was 550 million there was 100 million of that was due in Q4 last year. Was that paid and then the second question is: has all the cash charge related to the restructuring been taken or is there some residual also in Q1 and if so what amount, please?

COMPANY REPRESENTATIVE:
First to the first question. That payment actually was due fell into actually 2003 did not take place 2002 so that payment did not have to be made from that standpoint. And actually was made at a much lesser amount $50 (phonetic) million versus $100 million that was due based on the renegotiation. To your second question, there has been a little bit of cash charges taking place in the fourth quarter – but the bulk of the 117 million that I quoted earlier will take place in 2003.

THE CALLER:
(indiscernible) quarter or Q2.

COMPANY REPRESENTATIVE:
It is really spread between Q1 and Q2 since we've only done half the people in effect. Half the people know right now, the other half will be known shortly.

THE CALLER:
1.6000 out of the 2000.

COMPANY REPRESENTATIVE:
(indiscernible) right.

THE OPERATOR:
Eric Rothdeutsch (indiscernible) Friedman Billings.

THE CALLER:
My question's been answered. Thanks.

THE OPERATOR:
Tom Thornhill with UBS Warburg.

THE CALLER:
Couple of granularity questions. In the processor side can you give me a mix on notebook vs. desktop. And RD-- can we get some idea of the percent of RDspent on flash vs. microprocessors?

COMPANY REPRESENTATIVE:
I'm sorry --- keep going.

THE CALLER:
One other one, in international sales this is of growing importance. Can you give us some idea of the size of Asia Pacific and its trend within the international side of the business?

COMPANY REPRESENTATIVE:
I will take the first and third (indiscernible) second one Bob. Starting with the last question first. Geography standpoint -- we actually had a pretty good quarter look at what's going on consumption both from a flash standpoint and a processor standpoint in Asia. So we (indiscernible) real progress being made in Asia driven largely by China but certainly across all of Asia. Relative to --- and (indiscernible) first part of the question again? I'm sorry --- we actually had record mobile shipments in Q4 -- we actually this past year (indiscernible) over 5 million 7th generation (indiscernible) mobile products so a very successful year for us in mobile --- probably represents the highest percentage overall share that it ever has everything to grow that, just begun our first shipments into the (indiscernible) segments (indiscernible) introduced this quarter. So things are looking pretty good there. I don't really wanna get more granular than that and it doesn't behoove me to do so and in general the mobile --- continued growth mobile is going to help us if we go forward in the more (indiscernible) success (indiscernible) 2003. The RDexpenses between flash and microprocessors, I won't give you the granularity that you probably would like but I will just tell you that microprocessors are at

the leading edge of technology. Takes more effort to support that. But because they're both under the same umbrella in the same company it really is not meaningful to break it because it is — the benefit that these 2 product lines (indiscernible) from being under the AMD corporate umbrella is difficult to separate so even on a stand-alone company on memory they may not have as large an RDbuild of a stand-alone microprocessor company. Our mix would make very impossible to understand (indiscernible).

THE OPERATOR:
Doug Lee with Bank of America Securities.

THE CALLER:
Just a couple of follow-ups with Tom's questions. Can you break up the units by sort of valued segment vs. performance segment – just give a rough idea how that looks – that is the first question. Secondly on the new relationship with IBM – want to see how this is going to affect fab project you had in UNC in Singapore, whether that still is under discussion or if that's been closed? And thirdly, in fact, the other questions have been answered, just those two – thank you.

COMPANY REPRESENTATIVE:
Again, I'm not going to give you a detailed granular split – I would just tell you we had a very strong push in overall sales in consumption Q4 – we did see a bump up in some of value based processors in the geography where most appropriate. Those geographies of course are Asia, Eastern Europe, a little bit Latin America, but the holiday selling season is a very strong season in the North American and Western Europe markets and that is where we saw the biggest growth and saw a mixed increase (indiscernible) performance class of processors expect that to continue as we go into Q1. Both in the desktop and of course with the increase in mobile shipments that will also drive us to the performance-based processor mix. As far as the question on the UNC Singapore we have not done an official disengagement of that project because, frankly, UNC is still a very strong bulk technology factory Company with an incredibly strong capability on the foundry site, so we want to maintain some options open but at this point in time can't discuss any further detail than that. So at the appropriate time (indiscernible) crisper and clearly let you know. We are going to take two more questions please.

THE OPERATOR:
Scott Randall with Southview Technology.

THE CALLER:
Following up on the agreement with IBM –– the press release talks about selected manufacturing partners in terms of (indiscernible) technology – could you talk me through who that might be and does that include UNC specifically?

COMPANY REPRESENTATIVE:
Because of the nature of the agreement with IBM we cannot disclose answers but we have in our agreement with them the flexibility to be able to partner with a number of people that are all exactly the kind of people we want to partner with. But, again, because of the confidentiality of it I cannot tell you the name.

THE CALLER:
Is it 't safe to say Hector (indiscernible) fall into the category of being appropriate?

COMPANY REPRESENTATIVE:
Joint venture especially if it is a 50 percent plus it would be more of an AMD factory rather than some other partnering.

THE CALLER:
Right. So it doesn't exclude joint venture dependent upon who the partner would be I guess is what you're...

COMPANY REPRESENTATIVE:
That is correct.

THE OPERATOR:
Mark Grossman with SG Cowen.

THE CALLER:
If I remember last quarter you mentioned you're targeting break even by Q2 – is that still a target?

COMPANY REPRESENTATIVE:
Absolutely. We're obviously –– what we wanted to highlight more than anything today and didn't want you to read anymore into it than just that is the fact that we put in a lot of (indiscernible) of those things we are in significant control of which is our cost and we believe we can get our costs in–line. As Rob mentioned, we have incremental revenue opportunities which then puts us in a position to say we are still targeting to break even in second–quarter.

THE CALLER:
Okay and, second, can you talk about your confidence level in terms of shipping the Opterons and (indiscernible) in Q2. Have you actually started production and yields, and what are the hurdles to get that to happen?

COMPANY REPRESENTATIVE:
None of us are probably prepared to talk about the production levels and yields but I can tell you that we fully expect that there will be shipping the Opteron and (indiseernible) in second–quarter. Okay, thank you very much. Take care.

THE OPERATOR:
Ladies and gentlemen, that does conclude your conference call for today. We thank you for your participation and ask that you please disconnect your lines. (CONFERENCE CALL CONCLUDED)

Enable auto–refresh (scrolling) of live transcription.

FDfn

FAIR DISCLOSURE
FINANCIAL NETWORK

EXHIBIT 28

FORM 8-K

ADVANCED MICRO DEVICES INC - amd

Filed: January 24, 2001 (period: January 17, 2001)

Report of unscheduled material events or corporate changes.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 17, 2001

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	1-7882	94-1692300
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One AMD Place, P.O. Box 3453 Sunnyvale, California	94088-3453
(address of principal executive offices)	(Zip Code)

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

Item 5. Other Events.

On January 17, 2001, Advanced Micro Devices, Inc. (the "Company") announced its fourth quarter sales. The Company reported sales of $1,175,172,000 and net income of $177,968,000 for the quarter ended December 31, 2000. Net income amounted to $0.53 per diluted share. The full text of the press release is set forth in Exhibit 99.1 attached hereto and is incorporated in this report as if fully set forth herein.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

Number	Exhibit
99.1	Press release dated January 17, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ADVANCED MICRO DEVICES, INC.

Date: January 23, 2001

By: /s/ Robert J. Rivet

Robert J. Rivet
Senior Vice President, Chief Financial Officer

Exhibit Index

Number Exhibit

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99.1 Press release dated January 17, 2001.

NEWS RELEASE

CONTACTS:
John Greenagel
Strategic Communications
(408) 749-3310

Toni Beckham
Investor Relations
(408) 749-3127

Exhibit 99.1

AMD REPORTS FOURTH QUARTER RESULTS

--AMD reports record annual sales of $4.6 billion
with record net income of $983 million--

SUNNYVALE, CA -- January 17, 2001 -- AMD today reported sales of $1,175,172,000 and net income of $177,968,000 for the quarter ended December 31, 2000. Net income amounted to $0.53 per diluted share.

Aggregate sales of AMD flagship products - PC processors and flash memory devices - increased by 33 percent from the like period of 1999. Total company sales increased by 21 percent from the fourth quarter of 1999. In the fourth quarter of 1999, AMD reported total sales of $968,710,000 and net income of $65,080,000, which amounted to $0.21 per diluted share.

Annual sales for 2000 set a new record at $4,644,187,000 - 63 percent higher than 1999. Net income of $983,026,000, or $2.89 per diluted share, was also a record. Results for 2000 included a one-time net gain of $189,203,000 from the sale of the company's voice communications business (Legerity) and the retirement of senior secured notes. Net income excluding the one-time net gain above amounted to $793,823,000, or $2.36 per diluted share. In 1999 AMD reported sales of $2,857,604,000, which resulted in a net loss of $88,936,000, or $0.30 per share.

-more-

"AMD had the best year in its history," said W.J. Sanders III, chairman and chief executive officer. "AMD had record sales, record operating income, record net income, and record earnings per share in 2000. Sales growth of approximately $1.8 billion produced a favorable swing of $1.2 billion in operating income. Net income was nearly $1 billion.

"Our technology and manufacturing organizations distinguished themselves from the competition by executing nearly flawlessly. While the deterioration of the PC market late in the year impacted sales of PC processors in the fourth quarter, AMD substantially outperformed the semiconductor industry in a year of extraordinary growth. Despite the PC slowdown, AMD achieved record unit shipments of nearly 7 million PC processors during the quarter. AMD gained market share in the PC processor arena, with more than 26.5 million total units sold in 2000. We believe we gained three points of market share in units during the year, to approximately 17 percent of the worldwide market for PC processors.

"Demand for AMD Athlon(TM) processors remained strong in the fourth quarter," Sanders continued. "Unit and dollar sales of AMD Athlon and AMD Duron(TM) processors increased for both despite severe weakness in the North American retail sector of the PC market. Unit sales of AMD Duron processors were impacted by the unavailability of certain chipsets. Total PC processor average selling prices were negatively affected by end-of-life pricing of AMD-K6-2(R) family processors.

"During the quarter, AMD introduced a 1.2-gigahertz version of the AMD Athlon processor utilizing DDR memory," said Sanders. "This combination delivers unsurpassed PC performance on the most commonly used business applications. Last week, AMD introduced an 850-MHz AMD Duron processor, strengthening its performance leadership in the value space. No matter how little or how much PC users want to spend, they will continue to get more performance for their money with an AMD-powered system.

-more-

"A major factor in our excellent results was the continuing success of the world's first 1-gigahertz PC processor, the AMD Athlon processor. The innovative AMD Athlon processor established AMD as a leader in high-performance PCs. We continue to be the volume provider for PCs featuring speeds of one gigahertz and greater. Indeed, by the end of the current quarter, all AMD Athlon processors will be manufactured with clock speeds of one gigahertz or higher," Sanders continued.

"Sales of flash memory products remained strong, with fourth-quarter sales growing by nearly 10 percent sequentially, as demand remained strong and broad-based during the quarter. Sales of AMD flash memory products more than doubled in 2000. We aggressively ramped production capacity during the year to support our customers, and in the face of continuing strong demand for flash memory products, we are continuing to add production capacity.

"Going forward, new versions of the AMD Athlon and AMD Duron processors should enable us to participate in the performance mobile, server, and workstation markets. These new products, coupled with continuing strength in demand for our flash memory products, should ameliorate somewhat the impact of the current slowdown as excess PC inventories work their way through the channels of distribution.

"While current economic conditions make it difficult to forecast demand, we believe our prospects are excellent for gaining market share, growing faster than the industry, and increasing our operating profit in 2001," Sanders concluded.

Current Outlook

The company's outlook statements are based on current expectations. The following statements are forward-looking, and actual results could differ materially. The company's current outlook is based on the following projections for its flagship products.

-more-

The company expects that normal seasonal weakness in first-quarter demand for PC processors coupled with the effects of excess PC inventories in the distribution channels will impact PC processor sales in the first quarter of 2001. The company currently expects to sell between 6 and 6.5 million PC processors in the first quarter. Accordingly, PC processor revenues are expected to be modestly lower. The company expects that unit growth for the PC market will be in the mid-teens for 2001 as a whole.

The company currently projects that sales of its flash memory products will grow modestly in the first quarter from the levels of the fourth quarter of 2000, with substantial growth for the year as a whole.

Accordingly, the company expects that total first-quarter sales for AMD will be up year-on-year, but no better than flat sequentially from the fourth quarter of 2000.

With some analysts currently reducing their forecasts for semiconductor industry growth to the range of 7 to 15 percent for 2001, AMD expects its sales to grow at the high end of these forecasts. The company believes that industry growth in this range would likely result in pricing pressures and resultant lower margins. The company believes that aggregate growth in the range of 15 percent in this environment would result in net income of $2.00 per diluted share, plus-or-minus a few percentage points, assuming a 32 percent tax rate, for 2001.

AMD Teleconference

AMD will hold a teleconference for the financial community at 2:30 PM Pacific Standard Time today to discuss fourth-quarter financial results. AMD will provide a real-time audio broadcast of the teleconference on the Investor Relations page of its web site at http://www.amd.com or http://www.streetfusion.com. The webcast will be available for two weeks after the teleconference.

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Cautionary Statement

This release contains forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements in this release involve risks and uncertainty that could cause actual results to differ materially from current expectations. There can be no assurance that demand for the company's products will continue at current or greater levels, or that the company will continue to grow revenues, operating profit, or earnings.

Risks also include the possibility that demand for personal computers and, in turn, demand for the company's PC processors will be lower than currently expected; that the company will not be able to produce the AMD Athlon and AMD Duron processors in the volume, speed mix or with the feature set necessary to meet customer requirements and the company's current plans and goals; that Intel Corporation pricing, marketing programs, new product introductions or other activities targeting the company's processor business will prevent attainment of the company's current processor sales plans; that third parties may not provide timely or adequate infrastructure solutions to support the AMD Athlon and AMD Duron processors; and that uncertain political and economic conditions will cause lower than expected demand for the company's products. In addition, the company's flash memory products capacity expansion plans are based on current forecasts of demand that are subject to change depending on evolving general industry conditions, changes in customer needs, and the product introductions and capacity expansion of competitors. While demand currently exceeds production capacity, there can be no assurance that demand for the company's flash memory products will continue at current or greater levels.

We urge investors to review in detail the risks and uncertainties in the company's Securities and Exchange Commission filings, including but not limited to the report on Form 10-K for the year ended December 26, 1999, and the report on Form 10-Q for the quarter ended October 2, 2000.

-more-

About AMD

AMD is a global supplier of integrated circuits for the personal and networked computer and communications markets with manufacturing facilities in the United States, Europe, Japan, and Asia. AMD produces microprocessors, flash memory devices, and support circuitry for communications and networking applications. Founded in 1969 and based in Sunnyvale, California, AMD had revenues of $4.6 billion in 2000. (NYSE: AMD).

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WORLD WIDE WEB: Press announcements and other information about AMD are available on the Internet via the World Wide Web. Type http://www.amd.com at

the URL prompt.

NOTE TO EDITOR: Readers may obtain additional information by calling 1-800-222-9323 or 408-749-3060. Technical Support Email: hw.support@amd.com

Advanced Micro Devices, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands except per share amounts)

	Quarter Ended (Unaudited)			Year Ended	
	Dec. 31, 2000	Oct. 1, 2000	Dec. 26, 1999	Dec. 31, 2000	Dec. 26, 1999
Net sales	$1,175,172	$1,206,549	$ 968,710	$4,644,187	$ 2,857,604
Cost of sales	657,303	639,010	581,545	2,514,637	1,964,434
Research and development	162,088	162,764	150,936	641,799	635,786
Marketing, general and administrative	160,753	141,931	158,803	599,015	540,070
Restructuring and other special charges	-	-	5,700	-	38,230
	980,144	943,705	896,984	3,755,451	3,178,520
Operating income (loss)	195,028	262,844	71,726	888,736	(320,916)
Gain on sale of Legerity	-	336,899	-	336,899	-
Gain on sale of Vantis	-	-	-	-	432,059
Interest income and other, net	25,449	19,789	6,958	86,901	31,735
Interest expense	(19,933)	(17,382)	(12,370)	(60,037)	(69,253)

Income before income taxes,

equity in joint venture and extraordinary item	200,544	602,150	66,314	1,251,899	73,625
Provision for income taxes	30,082	175,009	-	256,868	167,350
Income (loss) before equity in joint venture and extraordinary item	170,462	427,141	66,314	995,031	(93,725)
Equity in joint venture	7,570	4,406	(1,234)	11,039	4,789
Income (loss) before extraordinary item	178,032	431,547	65,080	1,006,070	(88,936)
Extraordinary item - debt retirement, net of tax benefit	64	22,980	-	23,044	-
Net income (loss)	$ 177,968	$ 408,567	$ 65,080	$ 983,026	$ (88,936)
Net income (loss) per common share					
Basic					
Income (loss) before extraordinary item	$ 0.57	$ 1.38	$ 0.22	$ 3.25	$ (0.30)
Net income (loss)	$ 0.57	$ 1.31	$ 0.22	$ 3.18	$ (0.30)
Diluted					
Income (loss) before extraordinary item	$ 0.53	$ 1.24	$ 0.21	$ 2.95	$ (0.30)
Net income (loss)	$ 0.53	$ 1.18	$ 0.21	$ 2.89	$ (0.30)
Shares used in per share calculation					
- Basic	313,501	311,943	296,506	309,331	294,577
- Diluted	349,782	352,893	308,275	350,000	294,577

Advanced Micro Devices, Inc.
CONSOLIDATED BALANCE SHEETS
(Thousands)

	December 31, 2000	December 26, 1999
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 1,293,165	$ 596,511
Accounts receivable, net	547,200	429,809
Inventories	343,541	198,213
Deferred income taxes	218,527	55,956
Prepaid expenses and other current assets	255,256	129,389
Total current assets	2,657,689	1,409,878
Property, plant and equipment, net	2,636,467	2,523,236
Investment in joint venture	261,728	273,608
Other assets	211,851	170,976
	$ 5,767,735	$ 4,377,698
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 477,369	$ 387,193
Accrued compensation and benefits	172,815	91,900
Accrued liabilities	276,721	273,689
Income tax payable	74,806	17,327
Deferred income on shipments to distributors	92,828	92,917
Current portion of long-term debt, capital lease obligations and other	88,636	47,626
Total current liabilities	1,183,175	910,652
Deferred income taxes	203,986	60,491
Long-term debt, capital lease obligations and other,		

less current portion	1,208,907	1,427,282
Stockholders' equity:		
Capital stock:		
Common stock, par value	3,151	2,992
Capital in excess of par value	1,406,280	1,120,460
Retained earnings	1,856,261	873,235
Accumulated other comprehensive loss	(94,025)	(17,414)
Total stockholders' equity	3,171,667	1,979,273
	$ 5,767,735	$ 4,377,698

EXHIBIT 29

REDACTED IN ITS ENTIRETY

EXHIBIT 30

REDACTED IN ITS ENTIRETY

EXHIBIT 31

REDACTED IN ITS ENTIRETY

EXHIBIT 32

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EXHIBIT 33

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REDACTED IN ITS ENTIRETY

EXHIBIT 37

REDACTED IN ITS ENTIRETY

EXHIBIT 38

REDACTED IN ITS ENTIRETY

EXHIBIT 39

FINAL TRANSCRIPT

Thomson StreetEvents℠

AMD - Q1 2001 Advanced Micro Devices Earnings Conference Call

Event Date/Time: Apr. 18. 2001 / 5:30PM ET

THOMSON | streetevents@thomson.com | 617.603.7900 | www.streetevents.com

FINAL TRANSCRIPT

CONFERENCE CALL PARTICIPANTS

Editor

ROBERT J. RIVET

following

BENJAMIN M. ANIXTER

HECTOR DE J. RUIZ

W. JERRY SANDERS III

SCOTT RANDALL

VADIM ZLOTNIKOV

GARY GOLDSTEIN

HANS MOSESMANN

JACK GERAGHTY

WALID MAGHRIBI

ADAM HOROWITZ

JOSEPH A. OSHA

JOHN JOSEPH

DAVE NADIG

STEVE ______________

DREW PECK

JOHN CROSS

PAUL JACKSON

ERIC ROTHDEUTSCH

DOUGLAS K. LEE

DAN SCOVEL

JERRY SANDERS

ROBERT POON

TRANSCRIPT

Editor

AMD'S FIRST QUARTER EARNINGS CONFERENCE CALL

Operator

Ladies and gentlemen, thank-you for standing by. Welcome to the AMD's first quarter earnings conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session. At that time, if you have a question, you will need to press the '1' followed by the '4' on your telephone. As a reminder, this conference is being recorded Wednesday, April 18th, 2001. I would now like to turn the conference over to Mr. Bob Rivet, Senior Vice-President and Chief Financial Officer at AMD. Please go ahead Sir.

ROBERT J. RIVET

Thank-you Robert. Good afternoon and welcome to AMD's first quarter earnings teleconference call. I am Bob Rivet, the Chief Financial Officer. With me today in Sunnyvale and hosting this call is, Jerry Sanders, Our Chairman and Chief Executive Officer. Also present are Hector Ruiz, Our President and Chief Operating Officer, Bob Herb, Executive Vice-President and Chief Marketing Executive, Walid Maghribi, Senior Vice-President and President of Our Memory Group, and Ben Anixter, Vice-President of External Affairs. I will begin by summarizing our first quarter highlights and then turn it over to Ben, then to Hector, and finally to Jerry. Today, we are represented from the media listening then, but since this call is for financial analysts, we will only take questions from members of the financial community. Please hold on questions until we conclude our prepared remarks. This conference call is a live broadcast and will replay via the Internet at www.streetfusion.com and www.amd.com. The tape phone replay number for North America is 800-633-8284. Outside the US, dial 858-812-6440. The code to access this call is the same for both and that number is 182-99-631. Before we begin the conference call, I would like to caution everyone that we are making forward-looking statements about managements plans and expectations. As you know, the semiconductor industry is generally volatile. Our product and process technology development projects, and our manufacturing processes are complex. Current economic conditions make it especially difficult to forecast product demand. Because our actual results may differ materially from our plans and expectations today, I encourage you to review our filings with the Security and Exchange Commission, where we discussed in detail the risk factors in our business. You will find the detailed discussion in our most recent Form 10-K filing with the SEC. I am extremely pleased to report the financial highlights for AMD's first quarter. Revenue for the first quarter was $1.189 billion, up 11.5% over the first quarter of 2000 from continuing operations, and up 1% from the fourth quarter of 2000. For clarity, when I mention continuing operations, we are excluding the voice communication business, now called Legerity from our historical results. We sold this business in the third quarter of 2000. Our microprocessor business set a new revenue record in the quarter and grew by 17% over the first quarter of last year and the fourth quarter of 2000. Revenue in our memory business grew by 26% over the first quarter of 2000, but was down 10% from the fourth quarter. With our top line growing both year-on-year and sequentially and our prudently managed expenses, we are pleased with our operating income. Pro forma operating income as displayed in our press release as our non-GAAP consolidated statement of operations includes the impact of FASL, our manufacturing joint venture with Fujitsu. Operating income was $190 million or 16% of revenue for the quarter, up 16.5% from the first quarter of 2000 from continuing operations. Net income for the quarter was $125 million, was 10.5% of revenue, down $65 million from a year ago due almost entirely to additional tax provisions of $63 million which is included in our current quarter results. In the first quarter of last year, we had 0 tax provision. Fully diluted earnings per share were ¢37 for the quarter. Gross margin on a pro forma basis was 41.8% for the quarter, only down 1.2 percentage points from the first quarter of 2000 from continuing operations. Research and Development spending was $158 million or 13.3% of revenue for the quarter. Compared to the first quarter of last year, R&D spending has declined as a percent of revenue from 14.8% to 13.3%. Marketing, general, and administrative spending was $149 million or 12.5% revenue for the quarter. Compared to the first quarter of last year, our spending has declined as a percent of revenue from 13.2% to 12.5%. Our tax rate for the first quarter was 32%. Our cash balance increased to $1.6 billion, up $300 million from December 2000. We held our inventories essentially flat from the fourth quarter, only increasing $11 million in raw material. Days of inventory declined to 45 days. Inventories for both our microprocessor and flash business are well positioned for our second quarter plan. Capital spending for the first quarter was $163 million, about half of which was from Dresden, and depreciation expense was $153 million for the quarter. EBITDA was $320 million for the quarter. For your modeling for 2001, please consider the

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following

Our tax rate will remain at 32% for the year. Capital spending will be $1 billion for the year, up $200 million from last year as we complete Fab 30 and install 130-nm capacity. Depreciation is forecasted to be about $670 million for the year. Finally, we will continue to invest in R&D activities and maintain our current range of R&D spending as the percent of revenue to 13.3% to 13.5% for the year. I would now like to turn the floor over to Ben Anixter to start the business segment presentation. Ben?

BENJAMIN M. ANIXTER

Thanks Bob. Our ongoing foundry and other service activities, which is support for Vantis and Legerity, continue to decline in Q1. We now expect these services to continue trending down throughout 2001. In Q2 of 2001, these revenues will be in the $35 million range. The other IC product segment also trended down as networking embedded processor demand suffered from the communications market sector downturn. These products in aggregate will produce sales in the $16 million range in Q2. So, in total, about $100 million per Q2 trending down throughout the year will come from these segments. As you know, we except growth will come from our flagship products, flash memories, and PC processors. Now, I would like to turn the meeting over to Hector, who will cover our memory group.

HECTOR DE J. RUIZ

Thank-you Ben. Before I discuss our memory business, I want to take a few minutes and go over some highlights of our operations. Throughout the first quarter, we improved our output to market need efficiency and continued to fell out all the Athlons that we produced, and as Bob pointed out, we ended the quarter with a 0 net inventory bill except for raw materials. All of our factories performed at record levels in the quarter relative to yield productivity. In addition, our Fabs had record low cycle times, which are in unequivocal representation of the health and productivity of the operations. Since the beginning of production last June, Fab 30 has produced over 6 million Athlons at the end of first quarter. Fab 30-production ramp continues on plan, and we are currently at 60% on capacity in wafer stocks and we will achieve full capacity by yearend, as previously indicated. It is significant to note that the conversion of Fab 30 to 0.13 microns is on plan, and we intend to begin production to start in the fourth quarter of this year and we expect that all production output to be totally converted to 0.13 microns by the end of next year. In addition, we have demonstrated the robustness of our 0.13-micron SOI technology by fabricating SRAM's at excellent yields in Fab 30. Our JV3 Flash-Fab was completed and fitted in record time in Japan and our first 0.18-micron engineering rounds are in process with production scheduled before yearend. Now let me switch to our memory business. Memory group sales for the first quarter were $411 million, down 10% from the fourth quarter of last year, but up 26% from the same quarter last year. Unit shipments were up slightly from the preceding quarter while ASP's were lower by only 2.4%. This was a reflection of our continued push to move to higher density products, which averaged nearly 11 megabit per unit shipped in the first quarter. Sales in Asia were relatively firm and down only 2.4% from the fourth quarter. Sales in the Americas were down nearly 11% reflecting lower sales through our distribution channel, which largely serves the networking and communication markets. In the Europe, sales were down 14% primarily due to weakness in the cellular-telephone market. Visibility for our current quarter is weak and while our customers remain committed to take the volume negotiated, they are reluctant to place orders ahead of time, thus reducing the quickness of our outlook. We anticipate sales in the current quarter to be sequentially down. We are, however, more optimistic about the second half of the year as fundamental changes in the cellular handset market will start to emerge in the businesses of those customers that we serve. I would like to now turn the discussion over to Jerry who will discuss our microprocessor business and the corporate outlook.

W. JERRY SANDERS III

Thanks Hector. With sales of 7.3 million units and $661 million, PC processors set new records. Revenues grew 17% both year-on-year and sequentially. We continue to gain market share now at 21.5%. Continued demand in emerging markets for K6-2s generated shipments of 800,000 units, but produced less than 5% of our PC processor revenues. Seventh-generation processors, Athlons and Durons combined, had an ASP in excess of $95, and overall our PC processor ASP was over $90, up sharply from last quarter's $81 on the richer mix. Seventh-generation processors grew a 126% year-on-year and 27% sequentially. Athlon and Duron sales were each up sequentially in both units and dollars. Demand for high-performance Athlons was particularly gratifying and we sold more than 2 million 1 gigahertz or faster Athlon, virtually our entire production of such devices. Accordingly, and in light of continuing excellent progress and enhancing transistor performance in both mega Fabs, we now plan to continue production of Athlons and Fab 25 in Texas, in addition to Fab 30 in Dresden for the current and next quarter. Global production of Athlon is now exclusively 1 gigahertz and faster devices. We will simultaneously maintain our aggressive ramp in Fab 30 generating production volumes of 1.4 gigahertz Athlons to be introduced in the current quarter. We commence shipments from Fab 30 of the first power-managed Athlons, code-named 'Palomino', at the end of last quarter targeted at the mobile market where features are most compelling. The official Palomino mobile launch and availability of Palomino powered laptops is set for May. In light of the mobile opportunity and a generally flat near term outlook for desktop PCs, we will allocate all Palomino output this quarter to portable applications. We plan to launch the desktop version of Palomino at 1.5 gigahertz next quarter. Coupled with a double-data-rate enabled chipset, a 1.5-gigahertz power-managed Athlon should result in the highest delivered performance of any PC processor available in the market. We plan to maintain our leadership and delivered performance. Going forward, in the current quarter, our improving solution provision capabilities and the value desktop space, the mainstream and performance desktop space, and our first compatible offering for performance mobile applications in entry level servers, encourages us to believe we can maintain unit sales of PC processors at near record levels comprised entirely of seventh-generation processors. We continue to believe that our PC processor ASP for the year will be in the $90 to $100 range. In light of current market conditions, we expect those ASP's to be at the lowest end of the range this quarter. As indicated in the press release, we expect high single-digit PC industry growth with accelerating growth in the second half driven by mobile growth and the forthcoming Microsoft Windows XP, where we believe AMD is particularly at vantage. We plan to continue to gain share in PC processors. The recent collapse in demand for chips precipitating a reversal of forecast in industry growth to a sharp decline for 2001 is the direct result of the bursting of the bubble in the communications sector. The PC industry suffered collateral damage aggravated by diminished consumer and business confidence. We remain convinced that the PC is in wired and increasingly in wireless form will remain the hub of an expanding digital universe for years to come. We currently see no improvement in the communications sector where AMD'S current exposure is limited primarily to our flash products as a result of last year's sale of Legerity. After last year's torrid growth, we expect the flash market to be no better than flat. Our unique positioning in automotive markets, our long-term agreements, and relief of the production capacity constraints that limited our growth in 2000, should enable us to continue to gain share this quarter and this year. In summary, in the face of continuing weakness in the communications sector and pasting our memory, and other IC product businesses contrasted with an encouraging outlook for our PC processor activities, which may or may not be sufficient to offset that weakness, revenues could decline by as much as 10% sequentially from our just reported near record sales level. For the year as a whole in a declining market, we expect AMD to grow modestly and we are comfortable with the first call consensus estimate of a dollar fifty per diluted share. And with that, I will turn it over to Bob Rivet to host questions.

ROBERT J. RIVET

Thank-you Jerry. Robert would you organize the Q&A please.

Operator

Thank-you. Ladies and gentlemen, if you do have a question, you will need to press the '1' followed by the '4' at this time. You will hear a 3-tone prompt acknowledging your request. If your question has been answered and you wish to withdraw your polling request, you may do so by pressing the '1' followed by the '3'. If you are using a speakerphone please, pick up your handset before entering your request. One moment please for the first question. Scott Randall with Wit SoundView. Please go ahead.

SCOTT RANDALL

Great. Thank-you. Jerry, kind of intrigued about the comment about AMD being at vantage working under Microsoft XP, can you expand that a bit?

W. JERRY SANDERS III

Yeah, it turns out that our understanding of Microsoft XP is that they are incorporating some new application such as photo processing, and conversations we have had with Microsoft executives want us it to be a major application and what they are looking forward is the highest possible performance PC at the lowest possible cost. Rob will comment on what we think we can do there.

ROBERT J. RIVET

Yeah. I think especially in the value PCs base were from a consumer standpoint, it's something approaching probably 70% of the total market maybe it's less than 80. Now clearly, AMD is at vantage with the processing performance in Duron versus Celeron. Now, that we have an advantage clock-for-clock, I think we are going to be able to bring frequencies into those value price points with the Duron technology that should set us apart. So, both of those working on some of the additional imaging applications Jerry talked about should position us nicely as a good box to run XP on.

SCOTT RANDALL

Okay. And also Rob, any update us on Sledgehammer and thoughts vis-a-vis what Intel's up to?

ROBERT J. RIVET

Well, I still think that clearly the hammer family is a better idea for AMD. I think out of 64-bit strategy is on track. I think we are seeing growing evidence of people lighting in the direction we are headed. So, I am quite confident that as we go forward here that hammer will be the right solution for a 64-bit [______________] ASIC, and in particular it is going to be the right solution for 64 bit for desktops.

W. JERRY SANDERS III

We are going to be first in the desktop with 64-bit technology.

SCOTT RANDALL

Okay. One last question if I could, the $13 million of JV income, is that something that that we should expect to continue or is that kind of an anomaly?

W. JERRY SANDERS III

That's probably a high watermark. I would anticipate it to be a little bit less than that as we go forward.

SCOTT RANDALL

Great. Thank-you.

Operator

Vadim Zlotnikov with Sanford Bernstein. Please go ahead with your question.

VADIM ZLOTNIKOV

Just recently, Intel indicated some changes in strategy vis-a-vis the mobile segment. Could you talk a little bit about your strategy in the mobile? And also could you give us at least some rough indications whether your profitability in that segment is above normal microprocessor average or the ASP's meaningfully above the average? And what you intend to do to respond to Intel's price reductions?

W. JERRY SANDERS III

Well, those are a lot of questions. Let's try them. We think we have the most compelling solutions for the mobile segment. Our profitability in the mobile segment currently is 0, because we have virtually no presence whatsoever. With the power managed Athlons, code-named 'Palomino', which will be launched next month, we believe we have a superior solution top to bottom over what Intel has. Basically, our mobile solution, the Palomino will outperform the Intel's solution Clock for clock, and we believe that we can match them on any clock speeds going forward for the next several years as they migrate their production. So, we believe that we have a very strong offering in the mobile space, and traditionally, mobile prices have been higher and so the margin should be enhanced. Relative to their pricing strategy, I presume you mean their P4 pricing strategy?

VADIM ZLOTNIKOV

No. They have also been cutting prices on some of the mobile chips as well.

W. JERRY SANDERS III

Well, I think that basically their price reductions on mobile chips are not out of the ordinary. We have seen no extraordinary price cuts from Intel other than the supposed, projected, and forecasted dramatic price reductions that are forth coming on P4.

VADIM ZLOTNIKOV

Okay. Thank-you.

Operator

Gary Goldstein with Gilford Securities. Please go ahead with your question.

GARY GOLDSTEIN

Congratulations guys on a great quarter in a real tough environment. Could you walk us through just a couple of quick things? One on the Pro Processor - what are you guys looking for this quarter if you could give us some indication as far as price for Processor goes and one the 1 Gigahertz and faster that was 2 million units? Where did that go?

W. JERRY SANDERS III

We shipped over actually 2 million 1 Gigahertz and faster processors. We expect to improve that rather dramatically in this quarter, since now all of our production of Athlons is 1 Gigahertz or faster. For the quarter just completed, as I said, our seventh-generation processors, Durons and Athlons combined, was over $95. The overall ASP was dragged down to around $90 because of these 800,000 K6-2s. Going forward, we are assuming no K6-2s in Q2, our current quarter, but because of these aggressive pricing moves, we are being conservative and assume that our ASP for seventh-generation processors, which will comprise all of our sales will be at the low end of our $90 to $100 range.

GARY GOLDSTEIN

Okay. Great. And just one last one - did I understand correctly that the majority of the capex of the 200 is going towards the Dresden facility?

W. JERRY SANDERS III

Let me respond. It's $1 billion capex.

GARY GOLDSTEIN

I am sorry, 1 billion.

W. JERRY SANDERS III

$200 million increase and more than half is targeted for expanding our capacity in Dresden and equipping it for 130 nm.

GARY GOLDSTEIN

Thank-you very much and congratulations again.

W. JERRY SANDERS III

Thank-you.

Operator

Your next question is from Hans Mosesmann with Prudential Securities. Please go ahead.

HANS MOSESMANN

Yes, Jerry. Can you comment regarding the seasonality of the overall processor business? And the second question - what will be the entry speed PIII of 0.13-micron product later this year? Thanks.

W. JERRY SANDERS III

The answer to the first question is - the second quarter is always the worst quarter. This is going to be the toughest quarter for comparisons, but we are pretty optimistic, because we did not stock the channel in Q4, so we didn't have inventories so much to work down in Q1, although the industry did. We believe the PC industry has now got their inventories in pretty good shape. So, we don't expect a precipitance fall off in opportunities in Q2, but this is going to be the toughest quarter. Certainly, we wouldn't expect units in the industry to be better than flat. So, we feel that if we hold flat, we will actually gain a little market share, but this is always the toughest quarter. The second question relative to our introductory clock speeds on 0.13, I'd rather just say, we plan to continue to double performance every 18 months and for a given architecture that means we will double clock frequency every 18 months, and that say will be around 2 gigahertz at the beginning of next year.

HANS MOSESMANN

Great. Thanks a lot.

Operator

Jack Geraghty with Gerard Klauer Mattison. Please go ahead with your question.

JACK GERAGHTY

Hi! Jerry, on that last subject you just raised. Can I imply from what you just said that you think the semiconductor industry as a whole perhaps might be bottoming in the second quarter. I understand that, I guess, voice communications commerce here, but you have been around for as many cycles as anybody else. So if I just could hear a few comments?

W. JERRY SANDERS III

Actually, I think I have been around for more cycles than most people. I think that's the benefit of cards issue. The realities are, the big problem is the communications sector. There was just a huge bubble, yes, you are rationally exuberant to call somebody else, and we have just got networks, which is terribly over billed. The communications thing, which is totally out of control, it's still out of control. There is too much inventory. There is over capacity. I can't see any of that clearing up before the end of this year. Frankly, we are very fortunate. We anticipated that voice communications were getting over billed. We are not exposed in voice communications. We are planning to be in obviously a lot of network applications with our flash, that's an exposure currently. We also expect to have networking and communications implemented solutions on chipsets going forward, but as far as we are concerned, we see the semiconductor industry as always tracking capital expenditures, and with communications, capital expenditures being severely curtailed, communication products are not going to lead us out of this downturn. So, I would expect communications will be a drag through the third quarter with hopefully some relief by the fourth quarter. We have reason to believe in the mobile phone sector, that some new opportunities will present a chance for an upturn there. Maybe Walid will like to elaborate on that.

WALID MAGHRIBI

Yeah, I think for Q3 and Q4, switch to EPRS system we enabled, resumed a growth in flash and that's an opportunity that could prevent us and render the flash relatively flat for the whole year.

W. JERRY SANDERS III

With that, I think that we definitely see reserve scratching the bottom here, and I certainly think that the second half is going to be better than the industry as a whole, but I think the computer industry is going to lead us out. Next question?

Operator

The next question is from Adam Horowitz with Ulysses Management. Please go ahead.

ADAM HOROWITZ

Good afternoon. A couple of questions - one was, I did not catch what the depreciation amortization number expectation from this year is going to be?

ROBERT J. RIVET

670 million for the year depreciation.

ADAM HOROWITZ

Where should we expect at the yearend debt to be?

ROBERT J. RIVET

Lower than now.

W. JERRY SANDERS III

I think it is important to know, we really only have 2 components of debt. One is our convertible debentures which have an early call provision, and if we maintain our current stock price, we will convert all those. By the way, those numbers are already included in our fully diluted share earnings. The only other debt we have is, the debt on the Dresden facility, which as you know, is at very favorable rates guaranteed by the state of Saxony and the Federal Republic of Germany, and we are getting interest subsidies for the payment there. So, I think if we convert these debentures for all intents and purposes, we are debt fee.

ADAM HOROWITZ

And then what I am really getting at is if you have excess cash what you intend to do with it?

W. JERRY SANDERS III

That's an excellent question. We have talked about buyback of our shares, but I think even though our stock is undervalued by 2 or 3, we don't currently have any intentions of buying stock. So, if we have excess cash, it should just enable us to buttress ourselves us against any foolish moves from our competitor.

ADAM HOROWITZ

Okay, and the last quick question is - on accounts receivable, it was up a bit, what should we expect moving forward?

ROBERT J. RIVET

Probably in that same range. We are opportunistic to take business, but manage risk appropriately. It's moved up a little bit, just with the seasonality of the first quarter, but in that kind of range.

ADAM HOROWITZ

Thank-you very much.

Operator

Joe Osha with Merrill Lynch. Please go ahead with your question.

JOSEPH A. OSHA

Hi! Let me add my voice to the chorus of congratulation here. Nice quarter. Can you talk a little bit, Jerry, about demand aid by geography, there has been this whole sort of Europe weakening versus non-Europe weakening debate? And secondly, I am curious, obviously you have got a little less visibility into enterprise versus retail, but if you can talk about the trends you are seeing in those 2 segments that would be real helpful as well? Thanks.

W. JERRY SANDERS III

I'm going to let Rob take a crack on that since he is intimate with those anecdotal situations on a day-by-day basis.

JOSEPH A. OSHA

Okay.

ROBERT J. RIVET

We will tell you from our perspective. Europe remained very strong through the first quarter. We are coming in a period of time where Europe tends to weaken just from the seasonality standpoint. So, I would expect to see that a little bit in the late Q2, early Q3 timeframe with Europe. Asia was just gaining buttress for us as we went through Q1. So, it was very strong in Asia as well. In Japan, the overall market was okay, we didn't participate from a PC standpoint in the mobile and small-form-factor sectors to any greater degree and that makes up roughly about 70% of that market. I think overall Japan was okay. The biggest weakness we saw, and I can tell you that we believe was both consumer and commercial was probably the US market. We did reasonably well there, but overall the market, I think is still, I would classify it sluggish, and I expect that to continue through Q2, which is a season of [_______________] from a consumer's standpoint, a fairly weak period of time. I think Jerry commented earlier, we expect the overall PC market to be maybe roughly flat. I think there may be a little bit upside in Q2, but I don't think it's anything significant. So, looking forward, I would expect, you will see a little bit of weakening in Europe. Asia will probably continue to be, a pretty solid market for us. Japan has a huge opportunity for us because of both the small-form-factor and mobile opportunities with our power-managed Athlon family. And we continue to make some strides here in the US relative to our share. The overall market is somewhat sluggish.

JOSEPH A. OSHA

Relative to your other comment of, we are seeing some encouraging signs in the enterprise market. We did get an announcement of NEC International building a commercial box with us in Europe. You may know, that Fujitsu, Siemens has been selling into the government market in Italy?

ROBERT J. RIVET

Actually yeah. I will backup and cover a few of them. Germany, MAX data, which is the #3 producer of commercial PCs launched and has been reasonably successful with an AMD solution. All of that is the company that wants an Italian Government bid. NEC, as Jerry mentioned, International has done some work around some commercial solutions, and just this week in Japan, Fujitsu announce their small-form-factor box targeted at commercial segment as well. So, you put all that together as well as the Gateway Select SB and the Gateway Select Pro in Japan, we are starting to get some momentum relative to the overall commercial enterprise base. Hopefully, we can build on that as we go throughout the year.

BENJAMIN M. ANIXTER

Interestingly enough the low-end server might be our entry vehicle, because we have a compelling performance per dollar solution, and we are now seeing some opportunities, and there should be some announcements forthcoming. And as you know, this quarter will have our 2P chipset available. So, we have a solution for the 2-processor servers as well. So, what we think, that all in all, this will enable us to ride through this seasonally soft quarter.

JOSEPH A. OSHA

Thanks a lot gentlemen.

Operator

John Joseph of Salomon Smith Barney. Please go ahead with your question.

JOHN JOSEPH

Yeah. Good afternoon. I just want to clarify - will both memory and microprocessors be down by about 10% this quarter?

W. JERRY SANDERS III

We didn't say that either one would be down by 10%. What we said was in the aggregate, our business could be down as much as 10%, probably it won't, but it could be. That doesn't say anything about what either one will do.

JOHN JOSEPH

Okay. All right. Thanks Jerry. Hector, can you give us some sense with regards to downside risk in profitability within the Flash. What percent of your Flash is going through joint venture, partners, and to some degree, I guess, that's at arms length for profitability there from your own P&L though it has run through the onetime gain loss line. Can you give us some sense of that, how much Flash have been produced say in [ ] 25?

HECTOR DE J. RUIZ

We re-invited today to have Walid Maghribi, the President of Memory Group business with us today, and I would like to let him make some comments on your question, and I appreciate that and then if we need to, I will make some comments after him.

W. JERRY SANDERS III

I just want to remind everybody that what we had with Fujitsu is a manufacturing joint venture, 100% for all intensive purposes of our flash is manufactured in the joint venture and Fujitsu sells half of the output, and we sell half of the output. We try to manage the business so that the manufacturing activity doesn't make a profit, because the tax rates are higher in Japan. That's why earlier Bob Rivet said the high watermark. We tried to hold the manufacturing operation at breakeven. We make the money when we sell it. With that in mind, Walid can comment on how it's going.

WALID MAGHRIBI

Okay. As Jerry said, we are not making any flash right now in Fab 25. Fab 25 will not have an impact till the middle of next year. We are selling our capacity in flash, and all the profits that we are making is within AMD, as Jerry said, we've contracted the agreement basically with a breakeven in FASL. We continue to grow our capacity per plant, and right now there is no change in our capacity addition in 2001 and 2002.

W. JERRY SANDERS III

Does that clarify or you are looking for more?

JOHN JOSEPH

Yeah. I am just trying to, Jerry, get some sense of downside risk for in a bit of a soft flash market that could improve a little bit in the second half, and just for my own model, to just try to appreciate, how you are going to --?

WALID MAGHRIBI

Okay. Now I understand your question fully. Okay, March data is really not out yet, but if we look at the January and February, and forecast what's happening in March, we believe that the flash market in Q1 is running about $10 billion run rate, which is down a little bit from last year. For Q2, I really don't see how the flash market is going to grow. I believe it's going to be down in Q2 versus Q1 and then recover in Q3 and Q4 holding probably the overall flash market flat at best, maybe slightly down. During this market condition, we are definitely gaining market shares. So, even though the markets may be down 10% from Q1 to Q2, because we are gaining market share, we anticipate to outperform the market.

JOHN JOSEPH

Would you expect your blended ASP's to be flat or down slightly?

WALID MAGHRIBI

Well in Q1, we were down slightly. I expect it to be down slightly again for Q2, mitigated a little bit by moved to higher and higher density.

JOHN JOSEPH

Okay. And then, with regard to long-term contracts, you had some pretty good contracts lined up. Those are still in place, but it sounds like that some of your customers are not necessarily placing orders against those contracts?

WALID MAGHRIBI

Well, I think what we have to keep in mind is that these contracts and there's 26 of them, we have not signed all in one day. They were signed as early in the year 2000, and the latest one was signed just very, very recently. So, depend on how old these contracts are, they all have a provision for revision in both prices and the quantity, and we have renegotiated the majority of them, especially the one in the first half of the year 2000. And right now, I think the reason customers are not placing order is really because of the mix, and the market is changing very fast and because of the nature of the market it is very hard to determine the mix. So, they wait till the last moment until they get their orders from their customers before they place order on us.

JOHN JOSEPH

All right.

WALID MAGHRIBI

It's not just because that they are negating or they refuse to take it's just because they need to wait for the last moment before they decide on the mix.

JOHN JOSEPH

Okay. All right. Thanks Walid.

W. JERRY SANDERS III

Next.

Operator

The next question is from Dave Nadig with MetaMarkets. Please go ahead.

DAVE NADIG

Congratulations guys. Great quarter. Two very quick questions - one, could you give us an estimate assuming that you do go ahead with the convertible, what your estimated cash would be at the end of the year? And second, do you have an estimate, I know it's a little early, on what you think your sold market share was for the quarter?

ROBERT J. RIVET

First comment, we won't forecast cash, but if we actually get earnings works the way we want, the retirement of the convertible debt has no impact on cash. So, that's just a loss. We will take debt off the books. We will save the interest expense. The dilution effect is already in the computation today. So, people will risk its real shares and stock.

ROBERT J. RIVET

And the question you were asking was on market share?

DAVE NADIG

Yeah, as sold in the quarter. Do you have an estimate on that yet?

ROBERT J. RIVET

As sold, I am not quite sure what exactly you are talking processors, flash or?

DAVE NADIG

Processors.

ROBERT J. RIVET

Yeah, for processors standpoint, we'd estimate that unit share in Q1 probably exceeded 21%, which was up from something around 17% in Q4.

DAVE NADIG

That's great. Thanks guys.

Operator

Steve [_______________] of [_______________]. Please go ahead with your question.

STEVE _______________

Yes. This one is for Jerry. I am just curious how close your relationship might be with IBM for 64-bit servers, specifically the Clawhammer? Is it any potential for an Intel-HP type arrangement legitimize yourselves in that market?

W. JERRY SANDERS III

I thought we were legitimate. Just as a company policy, we don't talk about customer relationships until we have some formal announcement to make, and I don't mean to imply that we have a formal announcement at the ready. We just have no comment on things like that. We certainly look at IBM as a potential customer for 64-bit hammer solutions, but we have no comment to make at this time.

STEVE

Okay. Thank-you very much.

Operator

Your next question is from Drew Peck with SG Cowen. Please go ahead.

DREW PECK

Good afternoon. It's interesting that Intel is still maintaining that they are not losing any market share. It seems like, given the data points that you are providing, it will be hard for them to deny that any further. I am wondering, in that wane, what you think their reaction is going to be? Obviously, you now have been taking market share quarter after quarter. You evidently have heard the rumors about the price cuts that are coming, I'm wondering what you make of that and what your likely response would be if Intel does get much more aggressive on the pricing?

W. JERRY SANDERS III

Well, we believe that they are going to get much more aggressive on the pricing. We don't think that there is going to be a price war, Drew, because first of all, like George Bernard Shaw said "Don't fight with pigs, you get dirty, and the pigs like it." So, I have no intention of getting into a price war with Intel. I would say this - our practice and our policy will be to price competitively Clock for clock what Intel does. So, across the board, at a given clock speed, we will offer a competitive price and we will offer superior performance. We think the current market conditions favor us, because the customers want the maximum performance they can get at any price point and that's where we currently excel. Frankly, we think the P4 is a dud. They really have no choice except to cut the price, because it doesn't perform as well on many applications as lower clock speeds of PIII's. So, from our point of view, we think we have taken into consideration what Intel can do. Intel has been cutting prices one way or another with their Intel insight program and other market development funds and other attempts to maintain their position. I think, the truth is, that a crummy car with a rebate is still a crummy car.

DREW PECK

But it sounds like you are saying that even if they do cut prices because of the crummy car that you will match their pricing or beat it?

W. JERRY SANDERS III

We will match their pricing for a given clock speed. That is to say, our price for 1 gigahertz will equal their price for 1 gigahertz, and we will offer more delivered performance. We think that's a compelling value proposition that will allow us continue to gain market share.

DREW PECK

Right. And then one final question, have you given a number for what your total unit capacity for processor production is going to be this year?

W. JERRY SANDERS III

No, we have not given that Drew, but we would say this, as you know, we have had for 5 years a longstanding goal of achieving 30% unit share by the end of 2001. We have a plan to have in place the productive capacity to gain or to have 30% unit share, and we have an ongoing plan for the next several years to make sure that we could produce 30% of the units demand in the industry in any given quarter. With current market conditions, we don't think we will get the 30% by yearend, but we will continue to make progress towards it.

DREW PECK

That's great. Thanks Jerry.

Operator

Your next question is from John Cross with Morgan Stanley. Please go ahead.

JOHN CROSS

Good afternoon. Back to the flash, how much is covered by long-term supply agreements and wanted to talk about inventory levels?

WALID MAGHRIBI

Currently, about 75% of our sales, [_______________] sales is covered by RCA agreements.

JOHN CROSS

Okay. And the inventory situation, if I could describe it as kind of three locations, kind of would say, at AMD, the manufacturers or at FASL, and kind of out in the channel, and should we say at the OEMs, how would you characterize inventory in those buckets?

WALID MAGHRIBI

Okay. Well, I could tell you overall, from all away from our manufacturing, all away throughout the whole channel, throughout 2000, every single week, we were down in inventory, because we were on our location and we sold every single unit that we could make. In Q1, inventory remained flat. In Q2, we expect to regrow inventory to the predicted normal level of maintaining customer support. As far as the Q3 and Q4, it depends on the growth in the market, and the market was recovered, as we expected, that we will be fine, otherwise we may do some adjustment to our production capacity, but right now, we are not facing any excess inventory in the whole channel. We were very lucky during last year and we kept our eyes very close on who is maintaining inventory and who is building inventory, and when we ended 2000, our inventory level was at a historically low levels, the lowest in our history.

JOHN CROSS

Okay. And in terms of mix about that inventory is in pretty good balance as well?

WALID MAGHRIBI

Yes Sir. As you know, most of our product is built for a general market. Some of them are for semi-customer product for those particular customers. We only build the product when we have orders for them.

JOHN CROSS

Okay. Any idea would be to continue to grow wafer stocks and the manufacturing plant during the remainder of the year?

WALID MAGHRIBI

Yes, Sir. The idea is to continue to build our current plan, and if the market was at the current level, then we anticipate to gain market share.

JOHN CROSS

Okay. Right. Thanks very much.

Operator

Paul Jackson of Wellington Management. Please go ahead with your question.

PAUL JACKSON

Hi! Is your forecast, revenue guidance, for the processor business including likely price cuts on the PIV that I am reading about, which is for the 1.3, 1.4 Gate Processors to be down in the $195 range by the end of April?

ROBERT J. RIVET

Yeah. According to our projections we have incorporated all of that, and I think there is another question relative the PIV pricing, which is where you are seeing the most aggressive cuts, and I would agree with Jerry, when you are in these situations it is not just the cost or price alone, if you look at the platform, an AMD in Athlon 1.3, 1.4, 1.5 gigahertz product in a DDR platform is going to significantly outperform the competition, and it is also going to be a much lower cost. I think the platform cost difference today between an Athlon DDR solution and a PIV ethernet solution is probably in the neighborhood of $60 to $70. So, it's clear to me why Intel is looking to try to get more aggressive on PIV, to get some traction with that product. Rolled up and factored into date with what we know into our current projections.

PAUL JACKSON

Okay. Thanks.

Operator

Eric Rothdeutsch with Robertson Stevens. Please go ahead with your question.

ERIC ROTHDEUTSCH

Thank-you. Jerry, could you just clarify the Athlons, you are currently running in Texas. Are they at 0.25 micron or 0.18? And where do you see the processor technology going there? And then a second question on the Duron is - where do you see the chipset strategy going beyond the CAM 133? Do you expect there to be additional chipsets supporting the Duron?

W. JERRY SANDERS III

Yeah, let me answer the first part. First of all, everything we make in Athlons and Durons is 180 nm today. So, everything in Texas is 180 nm, and as I said, even in Texas today, because of the progress we made in our technology everything is 1 gigahertz or faster. We plan to continue production of Athlons of 1 gigahertz and faster. What we plan to do after the current quarter and the next quarter is, have the Duron versions made in Texas and with the Athlons and the power-managed Athlons being made in Fab 30 in Dresden. The overall plan is to migrate Fab 25 into a Flash factory over time, and we have another plan to ensure that we can meet the worldwide demand for Athlons and Durons going forward. Rob will comment on the chipsets after...

ROBERT J. RIVET

Actually, a couple of chipsets are already selling in the market, both the KL and KLE are our cost-reduced versions of the chipsets focused on the low end value space in the market. We are also expecting some chipset entries here in the balance of the year from our other providers, people like ALI, SIS, and a few others that are working on chipsets. I think they are going to be a pretty broad range of support and a broad range of price points for both the desktop and mobile chipset solutions for Athlon and Duron.

ERIC ROTHDEUTSCH

And Rob, just a followup. Will the mobile Palomino chipsets be identical to the desktop Athlon?

ROBERT J. RIVET

They can be. That's not the only solution. We have some other people providing mobile-targeted solutions that would be different.

ERIC ROTHDEUTSCH

They are initially or probably be the same, but then you would migrate to newer version?

ROBERT J. RIVET

Correct.

ERIC ROTHDEUTSCH

Okay. Thank-you.

Operator

The next question from Doug Lee with Banc of America Securities. Please go ahead.

DOUGLAS K. LEE

Hi! Congratulations on a very good quarter. Just a couple of clarifications if I could - you threw a lot of numbers Jerry, on the processor units where you had over 2 million, 1 gigahertz Athlon etcetera. I am not sure; do you give a breakup between the Duron versus Athlon units in the quarter?

W. JERRY SANDERS III

No, we didn't, but they were pretty close to one another. We split the $6.5 billion pretty much down in the middle, few more Durons than Athlons.

DOUGLAS K. LEE

Okay. Terrific. And just to get somewhat color or clarification say on your road map looking forward, I understand you are going to focus all the effort on the Palomino right now in the mobile segment. We should expect the desktop Palomino in the third quarter?

W. JERRY SANDERS III

Yes.

DOUGLAS K. LEE

Okay, and then finally on the value side of the mobile market, I guess there was a Morgan project.

W. JERRY SANDERS III

Yes. The Morgan is coming out in the third quarter as well.

DOUGLAS K. LEE

That will be the third quarter as well, okay, and also for the desktop Morgan?

W. JERRY SANDERS III

Same timeframe.

DOUGLAS K. LEE

It's terrific. Thank-you.

Operator

Dan Scovel with Needham & Company. Please go ahead with your question.

DAN SCOVEL

Yeah, again a good quarter. Can you comment on the linearity of orders as well as the profile of turns during the quarters for both microprocessors and Flash?

W. JERRY SANDERS III

I guess, the short answer is 'no'. I would point out that until this quarter, we never had to worry about the profile and turns with Flash that we have been sold out. So, the reason we are somewhat conservative that we believe are conservative on our expectations for Q2 is, we have to get turns in business in for Flash. I don't think there is any difference. We have always been in turns mode on the processor business. We don't see any material change there.

DAN SCOVEL

Did you have steady turns throughout Q1 on processors?

W. JERRY SANDERS III

Yes.

DAN SCOVEL

Okay. So, you are assuming it will stay consistent through Q2 as you see in Q1?

W. JERRY SANDERS III

We see no reason to think it will be different.

DAN SCOVEL

Okay. Thank-you.

Operator

Terry Ragsdale with Goldman Sachs. Please go ahead with your question.

Unknown Speaker

Yes. This is a [______________] for Terry Ragsdale. I've got a few questions on the Flash performance in Q4. You said your unit shipments were up slightly?

W. JERRY SANDERS III

I think you mean Q1, but...

Unknown Speaker

Yes Q1.

W. JERRY SANDERS III

Yeah. Unit ships were up slightly.

Unknown Speaker

What was the big growth?

WALID MAGHRIBI

What was the big growth, about 4%.

W. JERRY SANDERS III

We are making a quick calculation.

Unknown Speaker

Sure.

W. JERRY SANDERS III

We think it was about 4%, though we probably should confirm that number.

Unknown Speaker

That's great. I have actually got a couple of math-oriented questions. You said your ASP's were down 2.4%.

WALID MAGHRIBI

Right.

Unknown Speaker

I am assuming that unit ASPs?

WALID MAGHRIBI

That's correct.

Unknown Speaker

With unit shipments up slightly and unit ASP's down only 2.4%, how did you get to a 10% sequential decline?

WALID MAGHRIBI

Okay, because there is a difference between shipment, which is WSTS report and sales. We don't count sales until the sale is through. So, $400 million of sales is what we actually shipped to the OEM end customers, and the shipment of units is that number plus what shipped to the distribution channel. So, in the distribution channel, we were totally depleted in Q4, and inventories was extremely low. So, during Q1, we did ship more units into the distribution channel in order to rebuild the inventory to reach its historical levels.

Unknown Speaker

And what is that historical level that you got for the inventory?

WALID MAGHRIBI

I am sorry.

Unknown Speaker

What do you estimate the distributor inventory is right now?

W. JERRY SANDERS III

I think it is irrelevant. I don't understand the question, because we don't take distributor shipments and distributor inventory as a sale, but we do use total unit ship for the purpose of calculating market shares because that is the way that WSTS reports.

Unknown Speaker

And that inventory that you shipped is put into some sort of deferred revenue category in the balance sheet?

ROBERT J. RIVET

Yes it is. That's correct. We don't count sale to distribution till it's actually resold to a real customer.

Unknown Speaker

Okay. Thank-you very much.

ROBERT J. RIVET

That's in both businesses, both to the processors or Flash.

W. JERRY SANDERS III

That's why we are very specific in our microprocessor reports that we sold 7.3 million units. Our competitors sometimes talked about the units they shipped, but those are just going into inventories at some distributor at midpoint, we don't consider, that's not a sale.

Unknown Speaker

Understood. Okay. Thank-you.

Operator

Scott [______________] with [______________], please go ahead with your question.

STEVE ______________

Yeah. Hi. Maybe I miss some in the beginning. Can you give me a little more clarity on your outlook for 2Q? I know you talked about revenues down possibly 10%; do you have any growth margin outlook or upper margin outlook?

W. JERRY SANDERS III

Firstly, I would like to say about Q2. As we are talking about the weakness is in Flash demand because of the communications sector we are actually rather sanguine about our processor opportunities because of our product mix and the successes we have had. We also have some other miscellaneous business, which we call other IC products, which are somewhat better devices, some old networking devices, some odds and ends, and some foundry business, which is going to be off. So, that business is going to be off for sure. The combination of processors and Flash is, we have less visibility on so we think that overall our sales could be down up to 10%. They probably won't be, but they could be. As far as gross margins go, we traditionally don't talk about gross margins going forward.

STEVE ______________

How about EPS?

W. JERRY SANDERS III

What we said for EPS was that we are comfortable with the consensus forecast for the year with a dollar and a half.

STEVE ______________

Are you still comfortable with the ramp up or I guess, I mean, you must have some operating leverage. So, down sales, but possibly it's going to be lower EPS sequentially?

W. JERRY SANDERS III

If we have down sales, I would expect that we would probably have down EPS.

STEVE ______________

Thanks.

Operator

[______________] with Welch Capital. Please go ahead.

Unknown Speaker

Hey guys, great quarter. I have 2 quick questions. Can you give us a ballpark range of what you are percent split is between Tier 1 OEMs and kind of white box OEMS for the third-fourth tier guys? And also for your present breakdown in terms of end customer between corporate and consumer?

W. JERRY SANDERS III

No.

Unknown Speaker

No, on both?

W. JERRY SANDERS III

No, on both.

Unknown Speaker

All right. Thanks.

JERRY SANDERS

One more question please, Robert.

Operator

Thank-you Sir. Robert Poon with Golden City Financial. Please go ahead.

ROBERT POON

How far the range [_______________] OEM [_______________] Flash memory be coming down?

W. JERRY SANDERS III

We are going to censor this.

Operator

We got a background noise there.

W. JERRY SANDERS III

Try your question again.

ROBERT POON

What percentage of the flash memory for the company? And then your law suit in regard to Alcatel?

W. JERRY SANDERS III

It sounds like somebody has done a .. breaking up. Can we go to the next question?

Operator

At this time gentlemen, there are no further questions. Please continue with your presentation or any closing remarks.

W. JERRY SANDERS III

Well, thank-you very much everyone for listening and, thank-you for the thoughtful questions, and we will talk to you soon. Bye.

Operator

Ladies and gentlemen, that does conclude your conference for today. You may all disconnect and thank-you for participating.

EXHIBIT 40

FORM 10-Q

ADVANCED MICRO DEVICES INC - amd

Filed: August 10, 2001 (period: July 01, 2001)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended July 1, 2001

OR

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

For the transition period from __________ to __________

Commission File Number 1-7882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	94-1692300
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One AMD Place Sunnyvale, California	94088
(Address of principal executive offices)	(Zip Code)

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

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 X No ______

The number of shares of $0.01 par value common stock outstanding as of August 3, 2001: 345,550,821

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Part I. Financial Information

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(Thousands except per share amounts)

	Quarter Ended		Six Months Ended	
	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Net sales	$ 985,264	$ 1,170,437	$ 2,174,011	$ 2,262,466
Expenses:				
Cost of sales	636,199	612,567	1,351,029	1,218,324
Research and development	171,114	155,651	328,874	316,948
Marketing, general and administrative	156,291	152,022	305,429	296,328
	963,604	920,240	1,985,332	1,831,600
Operating income	21,660	250,197	188,679	430,866
Interest income and other, net	12,308	19,935	31,131	41,063
Interest expense	(20,199)	(11,244)	(41,844)	(22,723)
Income before income taxes and equity in net income (loss) of joint venture	13,769	258,888	177,966	449,206
Provision for income taxes	3,717	51,778	56,260	51,778
Income before equity in net income (loss) of joint venture	10,052	207,110	121,706	397,428
Equity in net income (loss) of joint venture	7,300	32	20,483	(937)
Net income	$ 17,352	$ 207,142	$ 142,189	$ 396,491
Net income per common share:				
Basic	$ 0.05	$ 0.67	$ 0.44	$ 1.30
Diluted	$ 0.05	$ 0.60	$ 0.43	$ 1.17
Shares used in per share calculation:				
Basic	330,120	309,116	322,234	305,438
Diluted	340,533	352,437	332,183	348,160

See accompanying notes.

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands)

	July 1, 2001	December 31, 2000*

	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 392,500	$ 591,457
Short-term investments	664,663	701,708
Total cash, cash equivalents and short-term investments	1,057,163	1,293,165
Accounts receivable, net of allowance for doubtful accounts	728,356	547,200
Inventories:		
Raw materials	51,284	34,413
Work-in-process	215,261	154,854
Finished goods	134,304	154,274
Total inventories	400,849	343,541
Deferred income taxes	188,946	218,527
Prepaid expenses and other current assets	175,522	255,256
Total current assets	2,550,836	2,657,689
Property, plant and equipment, at cost	5,763,554	5,461,801
Accumulated depreciation and amortization	(3,095,283)	(2,825,334)
Property, plant and equipment, net	2,668,271	2,636,467
Investment in joint venture	377,639	261,728
Other assets	234,207	211,851
	$ 5,830,953	$ 5,767,735
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 314,606	$ 477,369
Accrued compensation and benefits	121,523	172,815
Accrued liabilities	315,928	276,721
Income taxes payable	38,184	74,806
Deferred income on shipments to distributors	67,407	92,828
Current portion of long-term debt, capital lease obligations and other	220,080	129,570
Total current liabilities	1,077,728	1,224,109
Deferred income taxes	198,203	203,986
Long-term debt, capital lease obligations and other, less current portion	754,717	1,167,973
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value	3,464	3,141
Capital in excess of par value	1,955,498	1,406,290
Retained earnings	1,998,450	1,856,261
Accumulated other comprehensive loss	(157,107)	(94,025)
Total stockholders' equity	3,800,305	3,171,667
	$ 5,830,953	$ 5,767,735

* Amounts as of December 31, 2000 were derived from the December 31, 2000 audited financial statements.

See accompanying notes.

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

	Six Months Ended	
	July 1, 2001	July 2, 2000
Cash flows from operating activities:		
Net income	$ 142,189	$ 396,491
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	312,376	275,703
Net change in deferred income taxes	23,798	33,886
Foreign grant and subsidy income	(24,749)	(22,155)
Net loss on disposal of property, plant and equipment	18,862	3,414
Undistributed (income) loss of joint venture	(20,483)	937
Recognition of deferred gain on sale of building	(841)	(840)
Net compensation recognized under employee stock plans	2,860	2,508
Changes in operating assets and liabilities:		
Increase in accounts receivable	(180,970)	(97,481)
Increase in inventories	(64,718)	(57,366)

Increase (decrease) in prepaid expenses	2,147	(25,035)
Decrease in other assets	47,209	29,641
Decrease in tax refund receivable and tax payable	(37,887)	(2,175)
(Refund) receipt of customer deposits under purchase agreements	(39,000)	142,500
Decrease in payables and accrued liabilities	(151,094)	(76,008)
(Decrease) increase in accrued compensation	(51,290)	63,879
Income tax benefits from employee stock option exercises	4,480	-
Net cash (used in) provided by operating activities	(17,111)	667,899
Cash flows from investing activities:		
Purchases of property, plant and equipment	(377,818)	(289,893)
Proceeds from sale of property, plant and equipment	367	9,660
Purchases of available-for-sale securities	(2,190,266)	(1,562,628)
Proceeds from sale/maturity of available-for-sale securities	2,205,171	1,497,207
Investment in joint venture	(122,356)	-
Net cash used in investing activities	(484,902)	(345,654)
Cash flows from financing activities:		
Proceeds from borrowings	334,307	6,924
Payments on debt and capital lease obligations	(47,598)	(12,380)
Proceeds from issuance of stock and other	32,623	95,099
Net cash provided by financing activities	319,332	89,643
Effect of exchange rate changes on cash and cash equivalents	(16,276)	3,510
Net increase in cash and cash equivalents	(198,957)	415,398
Cash and cash equivalents at beginning of period	591,457	294,125
Cash and cash equivalents at end of period	$ 392,500	$ 709,523
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 26,458	$ 23,542
Income taxes	$ 50,996	$ 9,734
Supplemental disclosures of non-cash financing activities:		
Redemption of convertible debt	$ 516,860	$ -

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 30, 2001. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The interim financial statements should be read in conjunction with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended July 1, 2001 and July 2, 2000 each included 13 weeks. The six months ended July 1, 2001 and July 2, 2000 included 26 and 27 weeks.

2. Available-For-Sale Securities

The following is a summary of available-for-sale securities:

(Thousands)	July 1, 2001

Cash equivalents:	
Certificates of deposit	$ 10,001
Commercial paper	32,671
Money market funds	44,614
Municipal bonds	28,485
Federal agency notes	49,577
Tax exempt money market funds	25,000
Total cash equivalents	$ 190,348
Short-term investments:	
Certificates of deposit	$ 10,121
Commercial paper	237
Money market auction rate preferred stocks	181,279
Municipal bonds	246,447
Federal agency notes	46,197
Floating rate notes	10,013
Tax exempt preferred auction	170,369
Total short-term investments	$ 664,663
Long-term investments:	
Equity investments	$ 25,671
Commercial paper	9,999
Treasury notes	3,323
Total long-term investments (included in other assets)	$ 38,993

3. Net Income per Common Share

Basic net income per common share is computed using the weighted-average common shares outstanding. Diluted net income per common share is computed using the weighted-average common shares outstanding plus any potential dilutive securities. Dilutive securities included stock options and shares issuable upon the conversion of convertible debt. For the three- and six-month periods ended July 1, 2001, an incremental 14 million and 21 million shares of common stock issuable upon the assumed conversion of convertible debt were anti-dilutive and were not included in the calculation of diluted earnings per share. The following table sets forth the components of basic and diluted income per common share:

	Quarter Ended		Six Months Ended	
(Thousands except per share data)	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Numerator:				
Numerator for basic income per common share	$ 17,352	$ 207,142	$ 142,189	$ 396,491
Effect of adding back interest expense associated with convertible debentures	-	6,207	-	13,970
Numerator for diluted income per common share	$ 17,352	$ 213,349	$ 142,189	$ 410,461
Denominator:				
Denominator for basic income per share - weighted-average shares	330,120	309,116	322,234	305,438
Effect of dilutive securities:				
Employee stock options	10,413	15,361	9,949	14,760
Convertible debentures	-	27,960	-	27,962
Dilutive potential common shares	10,413	43,321	9,949	42,722
Denominator for diluted net income per common share - adjusted weighted-average shares	340,533	352,437	332,183	348,160
Net income per common share:				
Basic	$ 0.05	$ 0.67	$ 0.44	$ 1.30
Diluted	$ 0.05	$ 0.60	$ 0.43	$ 1.18

On August 21, 2000, the Company effected a two for one stock split in the form of a stock dividend of one share of common stock for each share of AMD common stock held on August 7, 2000. Share and per share amounts have been adjusted for prior periods presented to give effect to the stock split.

4. Investment in Joint Venture

In 1993, AMD and Fujitsu Limited formed a joint venture, Fujitsu AMD Semiconductor Limited (FASL), for the development and manufacture of non-volatile memory devices. FASL operates advanced integrated circuit manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices. FASL also uses foundry facilities in Iwate, Japan and Gresham, Oregon. The Company's share of FASL is 49.992 percent, and the investment is being accounted for under the equity method. At July 1, 2001, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in an increase in the investment in FASL of $41 million. During the quarter ended July 1, 2001, the Company made capital contributions of approximately $122 million to FASL. The following are the significant FASL related-party transactions and balances:

	Quarter Ended		Six Months Ended	
(Thousands)	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Royalty income	$ 10,604	$ 7,110	$ 24,949	$ 13,653
Purchases	129,027	78,420	288,754	154,658

(Thousands)	July 1, 2001	December 31, 2000
Royalty receivable	$ 10,083	$ 9,561
Accounts payable	85,551	77,503

The following is condensed unaudited financial data of FASL:

	Quarter Ended		Six Months Ended	
(Thousands)	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Net sales	$ 250,294	$ 156,587	$ 566,761	$ 302,029
Gross profit	28,521	2,485	92,533	3,298
Operating income	27,018	1,806	89,994	1,677
Net income	15,717	1,092	52,292	845

The Company's share of the above FASL net income differs from the equity in net income of joint venture reported on the condensed consolidated statements of operations. The difference is due primarily to adjustments resulting from the related-party transactions between FASL and the Company which are reflected on the Company's condensed consolidated statements of operations.

FASL has expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI). In connection with this foundry arrangement, the Company agreed to guarantee up to $125 million of Fujitsu Limited's obligations under FMI's credit facility.

5. Segment Reporting

AMD operates in two reportable segments: the Core Products and Foundry Services segments. AMD has previously shown three reportable segments; however, as a result of the sale of Legerity, Inc. (Legerity), effective July 31, 2000, the Company no longer operates in the Voice Communications segment. The Core Products segment includes microprocessors, Flash memory devices, Erasable Programmable Read-Only Memory (EPROM) devices, embedded processors, platform products and networking products. The Foundry Services segment includes fees for wafer fabrication and assembly, test, mark and pack services provided to Legerity and Vantis Corporation (Vantis), the Company's former programmable logic subsidiary. The Voice Communications segment included the voice communications products of Legerity until July 31, 2000, the effective date of its sale. The following table is

a summary of the operating income by segment for the quarters and six months ended July 1, 2001 and July 2, 2000:

(Thousands)	Quarter Ended		Six Months Ended	
	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Net sales:				
Core Products segment	$ 955,455	$ 1,082,902	$ 2,102,595	$ 2,095,546
Foundry Services segment	29,809	24,172	71,416	44,037
Voice Communications segment	-	63,363	-	122,883
Total net sales	$ 985,264	$ 1,170,437	$ 2,174,011	$ 2,262,466
Segment operating income (loss):				
Core Products segment	$ 27,787	$ 226,323	$ 193,996	$ 385,460
Foundry Services segment	(6,127)	4,224	(5,317)	9,459
Voice Communications segment	-	19,650	-	35,947
Total segment operating income	21,660	250,197	188,679	430,866
Interest income and other, net	12,308	19,935	31,131	41,063
Interest expense	(20,199)	(11,244)	(41,844)	(22,723)
Provision for income taxes	(3,717)	(51,778)	(56,260)	(51,778)
Equity in net income (loss) of FASL	7,300	32	20,483	(937)
Net income	$ 17,352	$ 207,142	$ 142,189	$ 396,491

6. Comprehensive Income (Loss)

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

(Thousands)	Quarter Ended		Six Months Ended	
	July 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Net income	$ 17,352	$ 207,142	$ 142,189	$ 396,491
Foreign currency translation adjustments	(23,558)	(7,394)	(40,940)	(32,763)
Derivative financial instrument gains (losses), net	(3,831)	-	(11,648)	-
Unrealized gains on securities, net of tax:				
Unrealized gains (losses) on investments arising during the period	498	54	(10,492)	2,564
Other comprehensive income (loss)	(26,891)	(7,340)	(63,080)	(30,199)
Comprehensive income (loss)	$ (9,539)	$ 199,802	$ 79,109	$ 366,292

The components of accumulated other comprehensive loss are as follows:

(Thousands)	July 1, 2001	December 31, 2000
Unrealized gain on investments, net of tax	$ 2,649	$ 13,143
Derivatives - cash flow hedging adjustments	(11,648)	-
Cumulative translation adjustments	(148,108)	(107,168)
	$ (157,107)	$ (94,025)

7. Share Repurchase Program

On January 29, 2001, the Company announced that the Board of Directors had authorized a program to repurchase up to $300 million worth of the Company's common shares over a period of time to be determined by management. Any such repurchases will be made in the open market or in privately negotiated transactions from time to time in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements and other factors. This plan does not obligate the Company to acquire any particular amount of its common stock, and the plan may be suspended at any time at the Company's discretion. No shares had been repurchased as of July 1, 2001.

8. Dresden Loan Agreements

AMD Saxony Manufacturing GmbH (AMD Saxony), an indirect wholly owned subsidiary of the Company, operates the Company's manufacturing and design facility in Dresden, Germany (Dresden Fab 30). In 1997, AMD Saxony entered into a loan and related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG.

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

The Dresden Loan Agreements, as amended, require that the Company: provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such interim funding to be repaid as AMD Saxony receives the grants and subsidies from the State of Saxony; fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than $100 million or more than $264 million, until the bank loans are repaid in full.

9. Derivative Instruments and Hedging

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings (fair value hedges) or recognized in other comprehensive income until the hedged item is recognized in earnings (cash flow hedges). The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. As of January 1, 2001, the Company's foreign currency forward contracts had been entered into to hedge the gains and losses generated by the re-measurement of foreign currency denominated intercompany accounts. These derivatives therefore did not qualify for hedge accounting and, therefore, the change in fair values of these derivatives are adjusted to fair value through operations. Accordingly, the adoption of SFAS 133 had no impact on the Company's consolidated financial position or operating results.

The Company purchases significant volumes of inventory from its unconsolidated joint venture in Japan, FASL, and from AMD Saxony. Purchases from FASL and AMD Saxony are denominated in yen and the euro, respectively. Therefore, in the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency rate fluctuations. The Company's general practice is to ensure that material business exposure to foreign exchange risks are identified, measured and minimized using the most effective and efficient methods to eliminate or reduce such exposures. To protect against the reduction in value of forecasted yen and euro denominated cash flows resulting from these transactions, the Company has instituted a foreign currency cash flow hedging program. The Company purchases foreign currency forward contracts and sells or purchases foreign currency option contracts generally expiring within 12 months to hedge portions of its forecasted foreign currency denominated cash flows. These foreign currency contracts are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gain or loss recorded in other comprehensive income (a component of stockholders' equity) and subsequently recognized in earnings in the same period the hedged forecasted transaction affects earnings. The Company does not use derivatives for trading purposes.

The effectiveness test for these foreign currency contracts utilized by the Company is the fair value to fair value comparison method. SFAS 133 permits the exclusion from the effectiveness assessment of the time value portion of the change in value of the currency forward contract. The change in fair value of the time value portion of the derivative is considered by the Company to be inherently ineffective and is immediately adjusted through earnings each accounting period. During the three-month period ended July 1, 2001, portions of the hedging instruments excluded from the assessment of hedge effectiveness were not material to the Company's consolidated financial position or operating results and are included in earnings in the accompanying Consolidated Statements of Operations.

As of July 1, 2001, the Company expects to reclassify the amount accumulated in other comprehensive income to earnings within the next twelve months due to the recognition in earnings of the hedged forecasted transactions.

If a cash flow hedge should be discontinued because it is probable that the original forecasted transaction will not occur, the net gain or loss in accumulated other comprehensive income will be reclassified into earnings as a component of income and expense. No such amounts were recorded in earnings during the three-month period ended July 1, 2001.

The following table summarizes activity in other comprehensive income related solely to derivatives classified as cash flow hedges held by the Company during the period from January 1, 2001 through July 1, 2001:

(Thousands)	Six Months Ended July 1, 2001
Cumulative effect of adopting SFAS 133	$ -
Changes in fair value of derivatives, net	11,648
	$ 11,648

10. Debt

On May 21, 2001, the Company called all $517.5 million of its outstanding 6% Convertible Subordinated Notes due 2005 for redemption, which resulted in the conversion of $517.3 of such Notes into approximately 28 million shares of the Company's common stock. The remaining $0.2 million of such Notes were paid in cash to investors.

11. Subsequent Events

On August 1, 2001, the Company redeemed all $43 million of its outstanding 11% Senior Secured Notes due 2003.

On July 25, 2001, the Company acquired 293,329 shares of its common stock at an aggregate cost of $5 million under its existing common stock repurchase program.

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things: operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to produce AMD Athlon(TM) and AMD Duron(TM) microprocessors in the volume required by customers on a timely basis; our ability to maintain average selling prices of seventh-generation microprocessors despite aggressive pricing strategies of our competitors; the ability of third parties to provide timely infrastructure solutions (motherboards and chipsets) to support our microprocessors; our ability to increase customer and market acceptance of the newest versions of our seventh-generation microprocessors, particularly in commercial and mobile markets; a recovery in the communications industry leading to an increase in the demand for Flash memory products; the effect of foreign currency hedging transactions; the production ramp of our new submicron integrated circuit manufacturing and design facility in Dresden, Germany (Dresden Fab 30); and the financing and construction of the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties as are detailed in our other Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the Unaudited Condensed Financial Statements and related notes included in this report and our Audited Financial Statements and related notes as of December 31, 2000 and December 26, 1999 and each of the three years in the period ended December 31, 2000 as filed in our Annual Report on Form 10-K.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, AMD-K6, AMD

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RESULTS OF OPERATIONS

We participate in all three technology areas within the digital integrated circuit (IC) market--microprocessors, memory circuits and logic circuits--through our Core Products and Foundry Services segments. Our Core Products segment includes our PC processors, Memory products and Other IC products. PC processors include our seventh-generation microprocessors, the AMD Athlon and AMD Duron microprocessors, and our sixth-generation microprocessors. Memory products include Flash memory devices and Erasable Programmable Read-Only Memory (EPROM) devices. Other IC products include embedded processors, platform products and networking products. Our Foundry Services segment consists of fees for services that we provide to Legerity, Inc. and Vantis Corporation.

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

We use a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended July 1, 2001, December 31, 2000 and July 2, 2000 each included 13 weeks. The six months ended July 1, 2001 and July 2, 2000 included 26 and 27 weeks.

The following is a summary of our net sales by segment for the periods presented below:

	Quarter Ended			Six Months Ended	
(Millions)	July 1, 2001	April 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Core Products segment:					
PC Processors	$ 588	$ 661	$ 583	$ 1,249	$ 1,146
Memory Products	316	411	362	727	689
Other IC Products	51	75	138	126	260
	955	1,147	1,083	2,102	2,095
Foundry Services segment	30	42	24	72	44
Voice Communications segment	-	-	63	-	123
	$ 985	$ 1,189	$ 1,170	$ 2,174	$ 2,262

Net Sales Comparison of Quarters Ended July 1, 2001 and April 1, 2001

Net sales of $985 million for the second quarter of 2001 decreased by 17 percent compared to net sales of $1,189 million for the first quarter of 2001. If current conditions prevail, overall revenues could decline in the range of 10 to 15 percent in the third quarter of 2001.

PC Processors net sales of $588 million decreased 11 percent in the second quarter of 2001 compared to the first quarter of 2001. The decrease in net sales was primarily due to a decline in average selling prices resulting from very aggressive market pricing pressures from our competitors, partially offset by higher unit sales of our seventh-generation microprocessors. Maintaining overall PC Processor sales levels in the third quarter of 2001 is dependent upon continuing a successful production ramp in Dresden Fab 30, the ability to maintain average selling prices for our seventh-generation microprocessors, availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of the newest versions of the AMD Athlon and AMD Duron processors, particularly in commercial and mobile markets, as to which we cannot give any assurance.

Memory products net sales of $316 million decreased 23 percent in the second quarter of 2001 compared to the first quarter of 2001. The decrease was primarily the result of the continuing weakness in the communications and networking equipment industries resulting in a decrease in the sales of Flash memory devices. We expect these revenues will continue to decline in the third quarter of 2001.

The Other IC products net sales of $51 million decreased 32 percent in the second quarter of 2001 compared to the first quarter of 2001 primarily due to decreased net sales of chipset products and networking products. Networking product sales decreased as a result of the communications and networking equipment industries decline. We expect these revenues will continue to decline in the third quarter of 2001.

The Foundry Services segment included service fees of $30 million in the second quarter of 2001 compared to $42 million in the first quarter of 2001. This 29 percent decrease was due to the communications and networking equipment industries decline. We expect that service fees will continue to decline.

Net Sales Comparison of Quarters Ended July 1, 2001 and July 2, 2000

Net sales of $985 million for the second quarter of 2001 decreased by 16 percent compared to net sales of $1,170 million for the second quarter of 2000.

PC Processors net sales of $588 million increased one percent in the second quarter of 2001 compared to the same quarter of 2000 primarily due to increased net sales of our seventh-generation microprocessors offset by a decrease in net sales of AMD-K6 microprocessors. The increase in net sales was primarily due to higher unit shipments, offset by lower average selling prices of our seventh-generation microprocessors and lower sales of AMD-K6 microprocessors caused by a market shift toward our seventh-generation microprocessors.

Memory products net sales of $316 million decreased by 13 percent in the second quarter of 2001 compared to the same quarter of 2000 due to the communications and networking equipment industries downturn, resulting in a decrease in the sales of Flash memory devices.

The Other IC products net sales of $51 million in the second quarter of 2001 decreased by 63 percent when compared to the same quarter of 2000 due to decreased net sales from networking products, chipsets and embedded processors products as the communications and networking equipment industries continued to decline.

The Foundry Services segment service fees of $30 million in the second quarter of 2001 increased compared to the same quarter of 2000. The increase was primarily due to the addition of service fees from Legerity after the second quarter of 2000.

Net Sales Comparison of Six Months Ended July 1, 2001 and July 2, 2000

Net sales of $2,174 million for the first six months of 2001 decreased by four percent compared to net sales of $2,262 million for the first six months of 2000.

PC Processors net sales of $1,249 million increased nine percent in the first six months of 2001 compared to the same period of 2000 primarily due to increased net sales of our seventh-generation microprocessors offset by a decrease in net sales of AMD-K6 microprocessors. The increase in net sales was primarily due to higher unit shipments, offset by lower average selling prices of our seventh-generation microprocessors and lower sales of AMD-K6 microprocessors caused by a market shift toward our seventh-generation microprocessors.

Memory products net sales of $727 million decreased by five percent in the first six months of 2001 compared to the same period of 2000 due to the communications and networking equipment industries downturn, resulting in a decrease in the sales of Flash memory devices.

The Other IC products net sales of $126 million in the first six months of 2001 decreased by 51 percent when compared to the same period of 2000 due to decreased net sales from networking products, chipsets and embedded processor products as the communications and networking equipment industries continued to decline.

The Foundry Services segment service fees of $72 million in the first six months of 2001 increased compared to the same period of 2000. The increase was primarily due to the addition of service fees from Legerity after the second quarter of 2000.

Comparison of Expenses, Gross Margin Percentage and Interest

The following is a summary of expenses, gross margin percentage and interest income and other, net for the periods presented below:

(Millions except for gross margin percentage)	Quarter Ended July 1, 2001	April 1, 2001	July 2, 2000	Six Months Ended July 1, 2001	July 2, 2000
Cost of sales	$636	$715	$613	$1,351	$1,219
Gross margin percentage	35%	40%	48%	38%	46%
Research and development	$171	$158	$156	$ 329	$ 317
Marketing, general and administrative	156	149	152	305	296
Interest income and other, net	12	19	20	31	41
Interest expense	20	22	11	42	22

We operate in an industry characterized by high fixed costs due to the capital-intensive manufacturing process, particularly the state-of-the-art production facilities required for PC processors and Flash memory devices. As a result, our gross margin percentage is significantly affected by fluctuations in product sales. The ability to maintain gross margin percentages depends on continually increasing sales because fixed costs continue to rise due to the ongoing capital investments required to expand production capacity and capability.

The gross margin percentage of 35 percent in the second quarter of 2001 decreased from 40 percent in the first quarter of 2001 and from 48 percent in the same quarter of 2000. The decrease in gross margin percentage in the second quarter of 2001 compared to the first quarter of 2001 was primarily attributable to a decline in the average selling prices for seventh-generation microprocessors. The decrease in gross margin percentage in the second quarter of 2001 compared to the same quarter in 2000 was primarily due to higher fixed manufacturing costs, changes in product mix and pricing pressures. Fixed costs will continue to increase as we ramp Dresden Fab 30 production.

Research and development expenses of $171 million in the second quarter of 2001 increased eight percent compared to the immediate prior quarter, and 10 percent compared to the same quarter in 2000. The increase was primarily due to increased research and development activities for PC microprocessors.

Included in research and development and cost of sales were the recognition of deferred credits on foreign capital grants and interest subsidies that were received for Dresden Fab 30. These credits of approximately $11 million per quarter (denominated in deutsche marks) will continue to be offset against Dresden Fab 30 expenses in future quarters until June 2007.

Marketing, general and administrative expenses of $156 million in the second quarter of 2001 increased five percent compared to the first quarter of 2001 as a result of an increase in marketing spending and corporate advertising for seventh-generation microprocessors. Marketing, general and administrative expenses in the second quarter of 2001 increased three percent compared to the same quarter in 2000. The increase was primarily due to increased advertising and marketing for seventh-generation microprocessors and spending on information systems.

Interest income and other, net of $12 million in the second quarter of 2001 decreased 36 percent compared to the first quarter of 2001 and decreased 40 percent compared to the same quarter of 2000. The decrease was primarily due to the recognition of an other than temporary decline in the value of our short-term investments.

Interest expense of $20 million in the second quarter of 2001 decreased nine percent compared to the first quarter of 2001 primarily due to the conversion of nearly all of our of 6% convertible

subordinated notes, partially offset by an increase of interest expense as a result of increased borrowings by AMD Saxony, our indirect wholly owned subsidiary, under the loan agreements with a consortium of banks led by Dresdner Bank AG (the Dresden Loan Agreements). Interest expense increased 80 percent compared to the same quarter of 2000 primarily due to increased borrowings by AMD Saxony under the Dresden Loan Agreements. During the construction of Dresden Fab 30 we capitalized interest expense attributable to the construction. Fab 30 began production at the end of the second quarter of 2000 and consequently we no longer capitalize these interest costs.

Income Tax

We recorded a $4 million income tax provision in the second quarter of 2001 and a $52 million income tax provision in the second quarter of 2000. The effective tax rates for the quarter and six months ended July 1, 2001 were 27 percent and 32 percent. The effective tax rates for the quarter and six months ended July 2, 2000 were 20 percent and 12 percent, reflecting the utilization of net operating loss carryforwards.

Other Items

International sales as a percent of net sales were 61 percent in the second quarter of 2001 compared to 63 percent in the first quarter of 2001 and 61 percent in the second quarter of 2000. International sales as a percent of net sales were 62 percent in the first six months of 2001 compared to 60 percent in the first six months of 2000. During the second quarter of 2001, approximately one percent of our net sales were denominated in foreign currencies compared to six percent in the same period in 2000. We do not have sales denominated in local currencies in countries that have highly inflationary economies. The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been significant.

Comparison of Segment Income

For a comparison of segment net sales, refer to the previous discussions on net sales by product group.

The following is a summary of operating income by segment for the periods presented below:

	Quarter Ended			Six Months Ended	
(Millions)	July 1, 2001	April 1, 2001	July 2, 2000	July 1, 2001	July 2, 2000
Core Products	$ 28	$ 166	$ 226	$ 194	$ 386
Foundry Services	(6)	1	4	(5)	9
Voice Communications	-	-	20	-	36
Total	$ 22	$ 167	$ 250	$ 189	$ 431

Core Products' operating income in the second quarter of 2001 decreased 83 percent compared to the first quarter of 2001 and 88 percent compared to the second quarter of 2000. The decrease was primarily due to a decline in the average selling price for PC processors as well as a downturn in the communications and networking equipment industries resulting in a decrease in the net sales of our Core Products. Core Products' operating income in the first six months of 2001 decreased 50 percent compared to the first six months of 2000 due to a downturn in the communications and networking equipment industries resulting in a

decrease in net sales of our Core Products, as well as a decline in the average selling price for PC processors and a decline in unit sales of our Flash memory devices. As a result of the sale of Legerity, effective July 31, 2000, we no longer operate in our former Voice Communications segment, resulting in no operating income in the second quarter of 2001 compared to an operating income of $20 million in the second quarter of 2000.

FINANCIAL CONDITION

Net cash used by operating activities was $17 million in the first six months of 2001 primarily due to net income of $142 million and depreciation and amortization of $312 million, offset by a decrease of $476 million in payables, accrued liabilities and accrued compensation.

Net cash provided by operating activities was $668 million in the first six months of 2000 primarily due to net income of $396 million, depreciation and amortization expenses of $276 million, and $142 million from customer deposits under long-term purchase agreements, offset by a decrease of $120 million in payables, accrued liabilities and accrued compensation.

Net cash used by investing activities was $485 million during the first six months of 2001. Major uses of cash during the period included $378 million for the purchases of property, plant and equipment, primarily for Dresden Fab 30 and Asia manufacturing facilities, $2,190 million for purchases of available-for-sale securities, and $122 million of additional equity investments in FASL, offset by $2,205 million of proceeds from the maturities of available-for-sale securities.

Net cash used by investing activities was $346 million in the first six months of 2000. Major uses of cash during the period included $290 million from purchases of property, plant and equipment, primarily for Dresden Fab 30 and Asia manufacturing facilities and $1,563 million from purchases of available-for-sale securities, offset by $1,497 million of proceeds from the maturities of available-for-sale securities.

Net cash provided by financing activities was $319 million during the first six months of 2001. Major uses of cash during the period included $48 million in payments on debt and capital lease obligations offset by $346 million in proceeds from Dresden Fab 30 borrowing activities, $21 million in proceeds from Dresden Fab 30 foreign grants and subsidies and $33 million in proceeds from the issuance of stock in connection with stock option exercises and purchases under our Employee Stock Purchase Plan.

Net cash provided by financing activities was $90 million in the first six months of 2000 primarily due to $95 million in proceeds from the issuance of stock in connection with stock option exercises and purchases under our Employee Stock Purchase Plan and $7 million in proceeds from borrowings, offset by $12 million in payments on debt and capital lease obligations.

Under our Loan and Security Agreement (the Loan Agreement) effective on July 13, 1999, which provides for a four-year secured revolving line of credit of up to $200 million, we can borrow, subject to amounts which may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of domestic cash we hold declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general

intangibles and the related proceeds. As of July 1, 2001, no funds were drawn under the Loan Agreement. In addition, we had available unsecured, uncommitted bank lines of credit in the amount of $24 million, none of which were outstanding.

We plan to make capital investments of approximately $900 million during 2001. These investments include those relating to the continued facilitization of Dresden Fab 30 and our fabrication facility in Austin, Texas (Fab 25).

On January 29, 2001, we announced that our Board of Directors had authorized a program to repurchase up to $300 million worth of our common shares over a period of time to be determined by management. Any such repurchases will be made in the open market or in privately negotiated transactions from time to time in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements and other factors. This plan does not obligate us to acquire any particular amount of our common stock, and the plan may be suspended at any time at our discretion. On July 25, 2001, we acquired 293,329 shares of our common stock at an aggregate cost of $5 million under the plan.

On May 21, 2001, we called all $517.5 million of our outstanding 6% Convertible Subordinated Notes due 2005 for redemption, which resulted in the conversion of $517.3 of such Notes into approximately 28 million shares of our common stock. The remaining $0.2 million of such Notes were paid in cash to investors.

On August 1, 2001, we redeemed all $43 million of our outstanding 11% Senior Secured Notes due 2003.

AMD Saxony, an indirect wholly owned German subsidiary of AMD, has constructed a fab and has installed equipment in Dresden Fab 30, which began production in the second quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 will be $2.3 billion when fully equipped by the end of 2003. We have invested $1.6 billion to date. In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG. Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth below are subject to change based on applicable conversion rates. We used the exchange rate at the end of the second quarter of 2001, which was approximately 2.27 deutsche marks to one U.S. dollar, to value the amounts denominated in deutsche marks. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

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

The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested $271 million as of July 1, 2001 in the form of subordinated loans to and equity in AMD Saxony. In addition to support from AMD, the

consortium of banks referred to above has made available $661 million in loans to AMD Saxony to help fund Dresden Fab 30 project costs. As of July 1, 2001, $618 million of the available loans were outstanding.

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

- guarantees of the lesser of 65 percent of AMD Saxony bank debt or $661 million;
- capital investment grants and allowances totaling $287 million; and
- interest subsidies totaling $138 million.

Of these amounts, AMD Saxony had received $284 million in capital investment grants and allowances and $54 million in interest subsidies as of July 1, 2001. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received as well as the repayment of all or a portion of amounts received to date. As of July 1, 2001, we were in compliance with all of the conditions of the grants and subsidies.

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

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

- provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;
- fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and
- guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than $100 million or more than $264 million, until the bank loans are repaid in full.

The definition of defaults under the Dresden Loan Agreements includes the failure of AMD, AMD Saxony or AMD Saxony Holding GmbH (AMD Holding), the parent company of AMD Saxony and a wholly owned subsidiary of AMD, to comply with obligations in connection with the Dresden Loan Agreements, including:

- material variances from the approved plan and specifications;
- our failure to fund equity contributions or shareholder loans or otherwise comply with our obligations relating to the Dresden Loan Agreements;
- the sale of shares in AMD Saxony or AMD Holding;
- the failure to pay material obligations;
- the occurrence of a material adverse change or filings or proceedings in bankruptcy or insolvency with respect to us, AMD Saxony or AMD Holding; and
- the occurrence of default under the indenture dated August 1, 1996 between AMD and the United States Trust Company of New York (the Indenture) pursuant to which our Senior Secured Notes were issued or the Loan Agreement.

Generally, any default with respect to borrowings made or guaranteed by AMD results in recourse to us of more than $10 million and, if not cured by us, would result in a cross-default under the Dresden Loan Agreements and the Loan Agreement. As of July 1, 2001, we were in compliance with all conditions of the Dresden Loan Agreements.

In the event we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD Saxony will be unable to complete the continued facilitization of Dresden Fab 30, and we will be in default under the Dresden Loan Agreements and the Loan Agreement, which would permit acceleration of certain indebtedness, which would have a material adverse effect on us. We cannot assure that we will be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

FASL, a joint venture formed by AMD and Fujitsu Limited (Fujitsu) in 1993, is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL JV2, in Aizu-Wakamatsu, Japan. The facility, including equipment, is expected to cost approximately $1.3 billion when fully equipped. As of July 1, 2001, approximately $864 million (denominated in yen) of this cost had been funded. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. The facility, designated as FASL JV3, is expected to cost approximately $1.4 billion when fully equipped. Capital expenditures for FASL JV2 and FASL JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL. FASL has also expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI). In connection with this foundry arrangement, we agreed to guarantee up to $125 million of Fujitsu's obligations under FMI's credit facility.

A significant portion of the FASL capital expenditures in 2001 will continue to be funded by cash generated from FASL operations. In addition, both Fujitsu and AMD made capital contributions of 15 billion yen ($122 million) each to FASL during the second quarter of 2001. Further, to the extent that additional funds are required for the full facilitization of FASL JV2 or ramp of FASL JV3, AMD may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of July 1, 2001, we did not have any loan guarantees outstanding with respect to these loans. These planned costs

are incurred in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of the second quarter of 2001, the exchange rate was approximately 121.46 yen to 1 U.S. dollar, which we used to translate the amounts denominated in yen.

We believe that cash flows from operations and current cash balances, together with available external financing, will be sufficient to fund operations and capital investments for at least the next 12 months.

RISK FACTORS

Our business, results of operations and financial condition are subject to a number of risk factors, including the following:

Flash Memory Products

The demand for Flash memory devices continues to be weak primarily as a result of the continued severe downturn in the communications and networking equipment industries. It is extremely difficult to forecast memory product sales given the uncertainties of the level of demand in a continuing soft market. Therefore, we cannot be certain as to the level of demand for our Flash memory devices, although a substantial sequential decline in sales is probable in the current quarter. If the communications and networking equipment industries do not recover and the sales of our Flash memory products continue to decline, our business could be materially and adversely affected.

Competition in the market for Flash memory devices will increase in 2001 and beyond as existing manufacturers introduce new products and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and as existing and potential new competitors introduce competitive products. A decline in our Flash memory device business could have a material adverse effect on our business.

Microprocessor Products

Dependence on AMD Seventh-Generation Microprocessors. We must continue to successfully market our seventh-generation Microsoft Windows compatible microprocessors, the AMD Athlon and AMD Duron microprocessors, in order to increase our microprocessor product revenues in 2001 and beyond, and to benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors. We began volume shipments of AMD Athlon microprocessors in the second half of 1999. We began shipments of AMD Duron processors, a derivative of the AMD Athlon processor designed to provide an optimized solution for value-conscious business and home users, in the second half of 2000. Our production and sales plans for AMD Athlon and AMD Duron microprocessors are subject to numerous risks and uncertainties, including:

- our ability to maintain average selling prices of seventh-generation microprocessors despite increasingly aggressive Intel pricing strategies, marketing programs and product bundling of microprocessors, motherboards, chipsets and combinations thereof;

- whether Tier One OEM customers will use our seventh-generation microprocessors in systems developed for the commercial market;

- our ability to successfully offer new higher performance versions of the AMD Athlon microprocessor competitive with Intel's Pentium 4 processor;

- our ability on a timely basis to produce seventh-generation microprocessors in the volume and with the performance and feature set required by customers;

- the pace at which we are able to ramp production in Dresden Fab 30 on 0.18- and 0.13-micron copper interconnect process technology;

- our ability to expand our chipset and system design capabilities;

- the availability and acceptance of motherboards and chipsets designed for our seventh-generation microprocessors; and

- the use and market acceptance of a non-Intel processor bus (adapted by us from Digital Equipment Corporation's EV6 bus) in the design of our seventh-generation microprocessors, and the availability of chipsets from vendors who will develop, manufacture and sell chipsets with the EV6 interface in volumes required by us.

If we fail to achieve continued market acceptance of our seventh-generation microprocessors our business will be materially and adversely affected.

Investment in and Dependence on AMD Microprocessor Products. Our microprocessor product revenues have and will continue in 2001 and 2002 to make significant contributions to our overall revenues, profit margins and operating results. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. These capital expenditures will be a substantial drain on our cash flow and possibly on our cash balances as well.

Our ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon the success of the AMD Athlon and AMD Duron microprocessors, our seventh-generation Microsoft Windows compatible microprocessors, and future generations of microprocessors beginning with the "Hammer" family of microprocessors that we plan to introduce in 2002. The Hammer processors will be our first processors capable of 64-bit operation, and are being designed to deliver leading-edge performance on both the 64-bit software used by high-end workstations and servers and the 32-bit software used by the majority of desktop and mobile computer users.

The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new process technologies at a fast pace and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds. Any significant difficulty in achieving microprocessor yield and volume plans may adversely affect our results of operations and liquidity. If we fail to offer higher performance microprocessors in significant volume on a timely basis in the future, our business could be materially and adversely affected. We may not

achieve the production ramp necessary to meet our customers' volume requirements for higher performance microprocessors. It is also possible that we may not increase our microprocessor revenues enough to achieve sustained profitability.

To sell the volume of AMD Athlon and AMD Duron microprocessors we currently plan to make in 2001 and 2002, we must increase sales to existing customers and develop new customers in both consumer and commercial markets. If we lose any current top tier OEM customers, or if we fail to attract additional customers through direct sales and through our distributors, we may not be able to sell the volume of units planned. This result could have a material adverse effect on our business.

Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

- the effects of Intel's increasingly aggressive pricing, new product introductions and marketing strategies;

- adverse market conditions in the personal computer (PC) market and consequent diminished demand for our microprocessors;

- market acceptance of our microprocessors, including the timely volume availability of motherboards and chipsets designed for these processors;

- whether we can successfully fabricate higher performance microprocessors in planned volume and speed mixes;

- whether we will have the financial and other resources necessary to continue to invest in the microprocessor products, including leading-edge wafer fabrication equipment and advanced process technologies;

- the possibility that our newly introduced products may be defective; and

- unexpected interruptions in our manufacturing operations.

See also the discussions below regarding Intel Dominance and Process Technology.

Intel Dominance. Intel has dominated the market for microprocessors used in PCs for many years. Because of its dominant market position, Intel has historically set and controlled x86 microprocessor and PC system standards and, thus, dictated the type of product the market requires of Intel's competitors. In addition, Intel may and does vary prices on its microprocessors and other products at will and thereby affects the margins and profitability of its competitors due to its financial strength and dominant position. Because Intel has dominated the microprocessor market for many years and has brand strength, we have in the past priced AMD microprocessors below the published price of Intel processors offering comparable performance. Thus, Intel's processor pricing and marketing can impact and have impacted the average selling prices of our microprocessors, and consequently can impact and have impacted our overall margins.

Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand program and other marketing programs. Intel invests billions of dollars in, and as a result exerts influence over, many other technology companies. We expect Intel to continue to invest heavily in research and development, new manufacturing facilities and other technology companies, and to remain dominant:

- through the Intel Inside and other marketing programs;

- through other contractual constraints on customers, retailers, industry suppliers and other third parties;

- by controlling industry standards; and

- by controlling supply and demand of motherboards, chipsets and other system components.

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

- pricing strategies;

- product mix and introduction schedules;

- product bundling, marketing, and merchandising strategies;

- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and basic input/output system (BIOS) suppliers; and

- user brand loyalty.

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

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

We do not currently plan to develop microprocessors that are bus interface protocol compatible with the Pentium III, Pentium 4 and Celeron processors because our patent cross-license agreement with Intel does not extend to microprocessors that are bus interface protocol compatible with Intel's sixth and subsequent generation processors. Thus, the AMD Athlon and AMD Duron microprocessors are not designed to function with motherboards and chipsets

designed to work with Intel microprocessors. The same will be true of our Hammer family of microprocessors. Our ability to compete with Intel in the market for seventh-generation and future generation microprocessors will depend on our:

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

A failure for any reason of the designers and producers of motherboards, chipsets, processor modules and other system components to support our microprocessor offerings would have a material adverse effect on our business.

Fluctuations in the PC Market. Since most of our microprocessor products are used in PCs and related peripherals, our future growth is closely tied to the growth of the PC industry. Industry-wide fluctuations in the PC marketplace have in the past and may in the future materially and adversely affect our business.

Dependence on Microsoft and Logo License. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for the x86 instructions that we innovate and design into our processors, independent software providers may forego designing their software applications to take advantage of our innovations. This would adversely affect our ability to market our processors. For example, we cannot assure that Microsoft will support our Hammer family of microprocessors and its x86-64 bit instruction set. Microsoft's support is vital to the success of the Hammer family products currently in development.

In addition, we have entered into logo license agreements with Microsoft that allow us to label our products as "Designed for Microsoft Windows." We have also obtained appropriate certifications from recognized testing organizations for our microprocessors. If we fail to maintain the logo license agreements with Microsoft, we may lose our ability to label our microprocessors with the Microsoft Windows logo. This could impair our ability to market the products and could have a material adverse effect on our business.

Demand for Our Products Affected by Worldwide Economic Conditions

A continued decline of the worldwide semiconductor market could further decrease the demand for microprocessors, Flash memory devices and other integrated circuits. A significant decline in economic conditions in any significant geographic area, either domestically or internationally, could decrease the overall demand for our products, which could have a material adverse effect on our business.

Financing Requirements

We will have significant capital requirements during the remainder of 2001. To the extent that we cannot generate the required capital internally or obtain such capital externally, our business could be materially and adversely affected. We cannot assure the availability of such capital on terms favorable to us, or at all. We currently plan to make capital investments of approximately $900 million in 2001 although the actual expenditures may vary. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

In March 1997, our indirect wholly owned subsidiary, AMD Saxony, entered into the Dresden Loan Agreements with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested $271 million as of July 1, 2001, in the form of subordinated loans and equity in AMD Saxony. If we are unable to meet our obligations to AMD Saxony as required under the Dresden Loan Agreements, we will be in default under the Dresden Loan Agreements and the Loan Agreement, which would permit acceleration of indebtedness, which would have a material adverse effect on our business.

In July 2000, FASL broke ground for a third fabrication facility, FASL JV3, for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. As of December 2000, the building was complete and the clean room was under construction. FASL JV3 is expected to cost $1.4 billion when fully equipped. FASL capital expenditures to date have been funded by cash generated from FASL operations and borrowings by FASL. A significant portion of the FASL capital expenditures in 2001 will continue to be funded by cash generated from FASL operations. In addition, both Fujitsu and AMD made capital contributions of $122 million each to FASL during the second quarter of 2001. To the extent that additional funds are required for the full facilitization of FASL JV2 or ramp of FASL JV3, AMD may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. If we are unable to fulfill our obligations to FASL, our business will be materially and adversely affected.

Manufacturing

Capacity. We underutilize our manufacturing facilities from time to time as a result of reduced demand for certain of our products. In the past, there have been times when our operations related to microprocessors have been particularly affected by this situation. If we underutilize our manufacturing facilities in the future, our gross margins may suffer. We are substantially increasing our manufacturing capacity by making significant capital investments in Fab 25 and Dresden Fab 30. FASL is currently constructing FASL JV3. We are continuing to increase production in our test and assembly facility in Suzhou, China. We have based our strategy of increasing our manufacturing capacity on industry projections for future growth. If these industry projections are inaccurate, or if demand for our products does not increase consistent with our plans and expectations, we will likely underutilize our manufacturing facilities and our business could be materially and adversely affected.

In contrast to the above, there also have been situations in the past in which our manufacturing facilities were inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on our business. At this time, the risk is that we will have underutilized capacity in Fab 25, in our manufacturing facilities that support our Foundry Services segment and in the manufacturing facilities used to make our Flash memory devices.

Conversion of Fab 25 to Flash Memory Device Production. We will begin converting Fab 25 to production of our Flash memory devices by the end of 2001. The speed of the conversion of Fab 25 will depend on the Flash market and general business conditions.

Process Technology. In order to remain competitive, we must make continuing substantial investments in improving our process technologies. In particular, we have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these investments might not be fully recovered if we fail to continue to gain market acceptance, if the communications and networking industries do not recover or if the market for our Flash memory products should continue to significantly deteriorate. Likewise, we are making a substantial investment in Dresden Fab 30. We have developed and installed 0.18-micron process technology and copper interconnect technology in Dresden Fab 30 in order to manufacture AMD Athlon microprocessors and plan to begin to convert Dresden Fab 30 to 0.13 micron technology in the fourth quarter of 2001. We have entered into a strategic alliance with Motorola to co-develop logic process and embedded Flash technologies. The logic process technology which is the subject of the alliance includes the copper interconnect and silicon on insulator technology that is required for AMD Athlon microprocessors and subsequent generations of microprocessors. The successful development and implementation of silicon on insulator technology is, for example, critical to the success of the Hammer family of processors currently under development. We cannot be certain that the strategic alliance will be successful or that we will be able to develop or obtain the leading-edge process technologies that will be required in Fab 25 or Dresden Fab 30 to fabricate microprocessors successfully.

Manufacturing Interruptions and Yields. Any substantial interruption of our manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could materially and adversely affect our business operations. We also have been and may in the future be materially and adversely affected by fluctuations in manufacturing yields. The design and manufacture of ICs is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include equipment performance and process controls as well as other risks, all of which can affect yields.

EXHIBIT 41

FORM 10-Q

ADVANCED MICRO DEVICES INC - amd

Filed: November 14, 2001 (period: September 30, 2001)

Quarterly report which provides a continuing view of a company's financial position

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10-Q - QUARTERLY REPORT FOR PERIOD ENDED 09/30/2001

Part I.

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PART I.

PART II

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from __________ to __________

Commission File Number 1-7882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	94-1692300
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One AMD Place Sunnyvale, California	94088
(Address of principal executive offices)	(Zip Code)

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

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 X No ___

The number of shares of $0.01 par value common stock outstanding as of November 2, 2001: 339,827,235

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Part I. Financial Information

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(Thousands except per share amounts)

	Quarter Ended		Nine Months Ended	
	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Net sales	$ 765,870	$ 1,206,549	$ 2,939,881	$ 3,469,015
Expenses:				
Cost of sales	594,056	639,010	1,945,085	1,857,334
Research and development	161,185	162,764	490,059	479,712
Marketing, general and administrative	150,918	141,931	456,346	438,259
Restructuring and other special charges	89,305	--	89,305	--
	995,464	943,705	2,980,795	2,775,305
Operating income (loss)	(229,594)	262,844	(40,914)	693,710
Gain on sale of Legerity	--	336,899	--	336,899
Interest and other income (expense), net	(11,220)	19,789	19,911	60,852
Interest expense	(9,946)	(17,382)	(51,790)	(40,105)
Income (loss) before income taxes, equity in net income (loss) of joint venture and extraordinary item	(250,760)	602,150	(72,793)	1,051,356
Provision (benefit) for income taxes	(65,018)	175,009	(8,758)	226,787
Income (loss) before equity in net income (loss) of joint venture and extraordinary item	(185,742)	427,141	(64,035)	824,569
Equity in net income (loss) of joint venture	(1,187)	4,406	19,296	3,469
Income (loss) before extraordinary item	(186,929)	431,547	(44,739)	828,038
Extraordinary item - loss on debt retirement, net of tax benefit	--	22,980	--	22,980
Net income (loss)	$ (186,929)	$ 408,567	$ (44,739)	$ 805,058
Net income (loss) per common share:				
Basic:				
Income (loss) before extraordinary item	$ (0.54)	$ 1.38	$ (0.14)	$ 2.69
Extraordinary item	$ --	$ 0.07	$ --	$ 0.08
Net income (loss)	$ (0.54)	$ 1.31	$ (0.14)	$ 2.61
Diluted:				
Income (loss) before extraordinary item	$ (0.54)	$ 1.24	$ (0.14)	$ 2.42
Extraordinary item	$ --	$ 0.06	$ --	$ 0.06
Net income (loss)	$ (0.54)	$ 1.18	$ (0.14)	$ 2.36
Shares used in per share calculation:				
Basic	345,044	312,943	329,837	307,942

Diluted	345,044	352,893	329,837	350,082

See accompanying notes.

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands)

	September 30, 2001	December 31, 2000*
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 397,423	$ 591,457
Short-term investments	506,111	701,708
Total cash, cash equivalents and short-term investments	903,534	1,293,165
Accounts receivable, net of allowance for doubtful accounts	588,563	547,200
Inventories:		
Raw materials	31,491	34,413
Work-in-process	292,981	154,854
Finished goods	124,606	154,274
Total inventories	449,078	343,541
Deferred income taxes	168,846	218,527
Prepaid expenses and other current assets	289,722	255,256
Total current assets	2,399,743	2,657,689
Property, plant and equipment, at cost	5,949,709	5,461,801
Accumulated depreciation and amortization	(3,234,417)	(2,825,334)
Property, plant and equipment, net	2,715,292	2,636,467
Investment in joint venture	396,351	261,728
Other assets	227,819	211,851
	$ 5,739,205	$ 5,767,735
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 369,064	$ 477,369
Accrued compensation and benefits	143,987	172,815
Accrued liabilities	382,797	276,721
Income taxes payable	49,591	74,806
Deferred income on shipments to distributors	34,620	92,828
Current portion of long-term debt, capital lease obligations and other	192,487	129,570
Total current liabilities	1,172,546	1,224,109
Deferred income taxes	139,850	203,986
Long-term debt, capital lease obligations and other, less current portion	796,021	1,167,973
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value	3,471	3,141
Capital in excess of par value	1,959,483	1,406,290
Treasury stock	(68,837)	--
Retained earnings	1,811,522	1,856,261
Accumulated other comprehensive loss	(74,851)	(94,025)
Total stockholders' equity	3,630,788	3,171,667
	$ 5,739,205	$ 5,767,735

* Amounts as of December 31, 2000 were derived from the December 31, 2000 audited financial statements.

See accompanying notes.

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

	Nine Months Ended	
	September 30, 2001	October 1, 2000
Cash flows from operating activities:		
Net income (loss)	$ (44,739)	$ 805,058
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale of Legerity	--	(336,899)
Extraordinary item - loss on debt retirement net of tax benefit	--	22,980
Depreciation and amortization	472,389	429,461
Net change in deferred income taxes	(14,453)	104,461
Foreign grant and subsidy income	(38,199)	(27,975)
Net loss on disposal of property, plant and equipment	22,812	7,354
Undistributed income of joint venture	(19,296)	(3,469)
Recognition of deferred gain on sale of building	(1,261)	(1,261)
Net compensation recognized under employee stock plans	3,552	3,712
Restructuring and other special charges	89,305	--
Changes in operating assets and liabilities:		
Increase in accounts receivable	(41,618)	(246,688)
Increase in inventories	(112,954)	(92,213)
Increase (decrease) in prepaid expenses	19,888	(38,888)
(Increase) decrease in other assets	(47,723)	9,014
(Decrease) increase in tax refund receivable and tax payable	(62,586)	8,369
(Refund) receipt of customer deposits under purchase agreements	(39,000)	142,500
(Decrease) increase in payables and accrued liabilities	(67,113)	14,776
(Decrease) increase in accrued compensation	(62,926)	83,556
Income tax benefits from employee stock option exercises	--	71,197
Net cash provided by operating activities	56,078	955,045
Cash flows from investing activities:		
Proceeds from sale of Legerity	--	375,000
Purchases of property, plant and equipment	(541,891)	(577,177)
Proceeds from sale of property, plant and equipment	1,715	12,243
Purchases of available-for-sale securities	(3,149,900)	(2,709,408)
Proceeds from sale/maturities of available-for-sale securities	3,346,085	2,359,185
Investment in joint venture	(122,356)	--
Net cash used in investing activities	(466,347)	(540,157)
Cash flows from financing activities:		
Proceeds from borrowings	342,402	145,910
Payments on debt and capital lease obligations	(90,305)	(394,306)
Proceeds from issuance of stock	38,252	115,907
Repurchase of common stock	(68,837)	--
Net cash provided by (used in) financing activities	221,512	(132,489)
Effect of exchange rate changes on cash and cash equivalents	(5,277)	5,773
Net increase (decrease) in cash and cash equivalents	(194,034)	288,172
Cash and cash equivalents at beginning of period	591,457	294,125
Cash and cash equivalents at end of period	$ 397,423	$ 582,297
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 38,120	$ 84,831
Income taxes	$ 58,088	$ 20,908
Supplemental disclosures of non-cash financing activities:		
Debt converted to common stock	$ 516,860	$ --

See accompanying notes.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 30, 2001. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The interim financial statements should be read in conjunction with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended September 30, 2001 and October 1, 2000 each included 13 weeks. The nine months ended September 30, 2001 and October 1, 2000 included 39 and 40 weeks.

2. Available-For-Sale Securities

The following is a summary of investments in available-for-sale securities:

(Thousands)	September 30, 2001
Cash equivalents:	
Certificates of deposit	$ 10,001
Commercial paper	69,543
Money market funds	61,850
Municipal bonds	28,690
Federal agency notes	14,737
Tax exempt money market funds	--
Total cash equivalents	$ 184,821
Short-term investments:	
Certificates of deposit	$ 10,247
Commercial paper	31,048
Money market auction rate preferred stocks	118,292
Municipal bonds	261,706
Federal agency notes	25,782
Floating rate notes	17,247
Tax exempt preferred auction	41,788
Total short-term investments	$ 506,111
Long-term investments:	
Equity investments	$ 17,694
Commercial paper	9,999
Treasury notes	3,323
Total long-term investments (included in other assets)	$ 31,016

3. Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average common shares outstanding. Diluted net income (loss) per common share is computed using the weighted-average common shares outstanding plus any potential dilutive securities. Dilutive securities include stock options and shares issuable upon the conversion of convertible debt. For the nine-month period ended September 30, 2001, an incremental 14 million shares of common stock issuable upon the assumed conversion of convertible debt were anti-dilutive and were not included in the calculation of diluted earnings per share due to recorded net losses. For the three- and nine-month periods ended September 30, 2001, outstanding stock options of 6 million and 8 million shares, respectively, were not included in the calculation of diluted earnings per share, as the effect would also be anti-dilutive. The following table sets forth the components of basic and diluted income (loss) per common share:

(Thousands except per share data)	Quarter Ended September 30, 2001	Quarter Ended October 1, 2000	Nine Months Ended September 30, 2001	Nine Months Ended October 1, 2000
Numerator:				
Numerator for basic income (loss) per common share before extraordinary item	$ (186,929)	$ 431,547	$ (44,739)	$ 828,038
Numerator for basic extraordinary loss per common share	--	22,980	--	22,980
Numerator for basic income (loss) per common share	$ (186,929)	$ 408,567	$ (44,739)	$ 805,058
Numerator for diluted income (loss) per common share before extraordinary item	$ (186,929)	$ 431,547	$ (44,739)	$ 828,038
Effect of adding back interest expense associated with convertible debentures	--	6,410	--	20,381
Numerator for basic income (loss) per common share before extraordinary item	$ (186,929)	$ 437,957	$ (44,739)	$ 848,419
Numerator for diluted extraordinary loss per common share	--	22,980	--	22,980
Numerator for diluted income (loss) per common share	$ (186,929)	$ 414,977	$ (44,739)	$ 825,439
Denominator:				
Denominator for basic income (loss) per share - weighted-average shares	345,044	311,943	329,837	307,942
Effect of dilutive securities:				
Employee stock options	--	12,996	--	14,172
Convertible debentures	--	27,954	--	27,968
Dilutive potential common shares	--	40,950	--	42,140
Denominator for diluted net income (loss) per common share - adjusted weighted-average shares	345,044	352,893	329,837	350,082
Net income (loss) per common share:				
Basic:				
Income (loss) before extraordinary item	$ (0.54)	$ 1.38	$ (0.14)	$ 2.69
Extraordinary item; debt	$ --	$ 0.07	$ --	$ 0.08
Net income (loss)	$ (0.54)	$ 1.31	$ (0.14)	$ 2.61
Diluted:				
Income (loss) before extraordinary item	$ (0.54)	$ 1.24	$ (0.14)	$ 2.42
Extraordinary item; debt	$ --	$ 0.06	$ --	$ 0.06
Net income (loss)	$ (0.54)	$ 1.18	$ (0.14)	$ 2.36

4. Investment in Joint Venture

In 1993, AMD and Fujitsu Limited formed a joint venture, Fujitsu AMD Semiconductor Limited (FASL), for the development and manufacture of non-volatile memory devices. FASL operates advanced integrated circuit manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices. FASL also uses foundry facilities in Iwate, Japan and Gresham, Oregon. The Company's share of FASL is 49.992 percent, and the investment is being accounted for under the equity method. At September 30, 2001, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in a decrease in the investment in FASL of $21 million. During the quarter ended July 1, 2001, the Company made capital contributions of approximately $122 million to FASL. The following are the significant FASL related-party transactions and balances:

(Thousands)	Quarter Ended September 30, 2001	Quarter Ended October 1, 2000	Nine Months Ended September 30, 2001	Nine Months Ended October 1, 2000
Royalty income	$ 10,975	$ 8,236	$ 36,675	$ 20,139
Purchases	146,766	107,318	435,520	261,977

(Thousands)	September 30, 2001	December 31, 2000
Royalty receivable	$ 21,048	$ 9,561

Accounts payable	77,713	77,503

The following is condensed unaudited financial data of FASL:

	Quarter Ended		Nine Months Ended	
(Thousands)	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Net sales	$ 241,812	$ 200,809	$ 808,573	$ 502,838
Gross profit (loss)	(18,864)	19,513	73,669	22,811
Operating income (loss)	(20,172)	18,599	69,822	20,276
Net income (loss)	(11,798)	11,270	40,494	12,115

The Company's share of FASL net income set forth above differs from the equity in net income of joint venture reported on the condensed consolidated statements of operations. The difference is due primarily to adjustments that eliminate the related-party transactions between FASL and the Company on the Company's condensed consolidated statements of operations.

FASL has expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI). In connection with this foundry arrangement, the Company agreed to guarantee up to $125 million of Fujitsu's obligations under FMI's credit facility.

5. Segment Reporting

AMD operates in two reportable segments: the Core Products and Foundry Services segments. AMD has previously shown three reportable segments; however, as a result of the sale of Legerity, Inc. (Legerity), the Company no longer operates in the Voice Communications segment. The Core Products segment includes microprocessors, Flash memory devices, Erasable Programmable Read-Only Memory (EPROM) devices, embedded processors, platform products and networking products. The Foundry Services segment includes fees for wafer fabrication and assembly, test, mark and pack services provided to Legerity and Vantis Corporation (Vantis), the Company's former programmable logic subsidiary. The Voice Communications segment included the voice communications products of Legerity until July 31, 2000, the effective date of its sale. The following table is a summary of the operating income by segment for the quarters and nine months ended September 30, 2001 and October 1, 2000:

(Thousands)	Quarter Ended		Nine Months Ended	
Net sales:	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Core Products segment	$ 741,320	$ 1,143,488	$ 2,843,915	$ 3,239,035
Foundry Services segment	24,550	45,634	95,966	89,671
Voice Communications segment	--	17,427	--	140,309
Total net sales	$ 765,870	$ 1,206,549	$ 2,939,881	$ 3,469,015
Segment operating income (loss):				
Core Products segment	$ (123,947)	$ 256,241	$ 70,053	$ 641,701
Foundry Services segment	(9,441)	7,564	(14,761)	17,023
Voice Communications segment	--	(961)	--	34,986
Total segment operating income (loss)	(133,388)	262,844	55,292	693,710
Restructuring and other special charges	(89,305)	--	(89,305)	--
Additional inventory provision	(6,901)	--	(6,901)	--
Gain on sale of Legerity	--	336,899	--	336,899
Interest income and other, net	(11,220)	19,769	19,911	60,852
Interest expense	(9,946)	(17,382)	(51,790)	(40,105)
(Provision) benefit for income taxes	65,018	(175,009)	8,758	(226,787)
Equity in net income (loss) of joint venture	(1,187)	4,406	19,296	3,469
Extraordinary item - debt retirement, net of tax benefit	--	(22,980)	--	(22,980)
Net income (loss)	$ (186,929)	$ 408,567	$ (44,739)	$ 805,058

6. Comprehensive Income (Loss)

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

(Thousands)	Quarter Ended September 30, 2001	Quarter Ended October 1, 2000	Nine Months Ended September 30, 2001	Nine Months Ended October 1, 2000
Net income (loss)	$ (186,929)	$ 408,567	$ (44,739)	$ 805,058
Foreign currency translation adjustments	59,525	(39,760)	18,585	(72,523)
Derivative financial instrument gains, net	20,060	--	8,412	--
Unrealized gains (losses) on Securities arising during the period	2,668	(3,974)	(7,824)	(1,410)
Other comprehensive income (loss)	82,253	(43,734)	19,173	(73,933)
Comprehensive income (loss)	$ (104,676)	$ 364,833	$ (25,566)	$ 731,125

The components of accumulated other comprehensive loss are as follows:

(Thousands)	September 30, 2001	December 31, 2000
Unrealized gain on Securities, net of tax	$ 5,320	$ 13,143
Derivatives - cash flow hedging adjustments	8,412	--
Cumulative translation adjustments	(88,583)	(107,168)
	$ (74,851)	$ (94,025)

7. Share Repurchase Program

On January 29, 2001, the Company announced that the Board of Directors had authorized a program to repurchase up to $300 million worth of the Company's common stock over a period of time to be determined by management. Any such repurchases will be made, from time to time, in the open market or in privately negotiated transactions in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements and other factors. This program does not obligate the Company to acquire any particular amount of its common stock, and the program may be suspended at any time at the Company's discretion. As of September 30, 2001, AMD had acquired 5,310,580 shares of its common stock at an aggregate cost of $69 million under the program.

8. Dresden Loan Agreements

AMD Saxony Manufacturing GmbH (AMD Saxony), an indirect wholly owned subsidiary of the Company, operates the Company's manufacturing and design facility in Dresden, Germany (Dresden Fab 30). In 1997, AMD Saxony entered into a loan and related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG.

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

The Dresden Loan Agreements, as amended, require that the Company: provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such interim funding to be repaid as AMD Saxony receives the grants and subsidies from the State of Saxony; fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than $103 million or more than $283 million, until the bank loans are repaid in full.

9. Derivative Instruments and Hedging

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings (fair value hedges) or recognized in other comprehensive income until the hedged item is recognized in earnings (cash flow hedges). The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. As of January 1, 2001, the Company had entered into foreign currency forward contracts to hedge the gains and losses generated by the re-measurement of foreign currency denominated intercompany accounts. As a result, these derivatives, which are not designated as hedges, are recorded at fair value, with changes in fair value recognized in operations. Accordingly, the adoption of SFAS 133 had no impact on the Company's consolidated financial position or operating results.

The Company purchases a significant volume of inventory from FASL, AMD's unconsolidated joint venture in Japan, and from AMD Saxony. Purchases from FASL and AMD Saxony are denominated in yen and euros, respectively. Therefore, in the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency rate fluctuations. The Company's general practice is to ensure that material business exposure to foreign exchange risks are identified, measured and minimized using the most effective and efficient methods to eliminate or reduce such exposures. To protect against the reduction in value of forecasted yen and euro denominated cash flows resulting from these transactions, the Company has instituted a foreign currency cash flow hedging program. The Company purchases foreign currency forward contracts and sells or purchases foreign currency option contracts generally expiring within twelve months to hedge portions of its forecasted foreign currency denominated cash flows. These foreign currency contracts are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gain or loss recorded in accumulated other comprehensive income (a component of stockholders' equity) and subsequently recognized in earnings in the same period the hedged forecasted transaction affects earnings. The Company does not use derivatives for trading purposes.

The effectiveness test for these foreign currency contracts utilized by the Company is the fair value to fair value comparison method. SFAS 133 permits the exclusion from the effectiveness assessment of the time value portion of the change in value of the currency forward contract. The change in fair value of the time value portion of the derivative is considered by the Company to be inherently ineffective and is immediately adjusted through earnings each accounting period. During the three-month period ended September 30, 2001, the portions of the hedging instruments excluded from the assessment of hedge effectiveness were not material to the Company's consolidated financial position or operating results and are included in earnings in the accompanying Consolidated Statements of Operations.

As of September 30, 2001, the Company expects to reclassify the amount accumulated in other comprehensive income to earnings within the next twelve months due to the recognition in earnings of the hedged forecasted transactions.

If a cash flow hedge should be discontinued because it is probable that the original forecasted transaction will not occur, the net gain or loss in accumulated other comprehensive income will be reclassified into earnings as a component of income and expense. No such amounts were recorded in earnings during the three-month period ended September 30, 2001.

The following table summarizes activity in other comprehensive income related solely to derivatives classified as cash flow hedges held by the Company during the period from January 1, 2001 through September 30, 2001:

(Thousands)	Nine Months Ended September 30, 2001
Cumulative effect of adopting SFAS 133	$ -
Changes in fair value of derivatives, net	(8,412)
	$ (8,412)

10. Debt

On August 1, 2001, the Company redeemed the remaining $43 million of its outstanding 11% Senior Secured Notes (the Senior Notes) due 2003.

11. Restructuring and other special charges

On September 25, 2001, due to the continued slowdown in the semiconductor industry and a resulting decline in revenues, the Company announced a restructuring plan to accelerate key components of its strategy to reduce costs and enhance the financial performance of its core businesses. In connection with the plan, the Company will close Fabs 14 and 15 in Austin, Texas. These facilities support certain of the Company's older products and its Foundry Service operations, which will be discontinued as part of the plan. The Company will also restructure other manufacturing facilities and reduce activities primarily in Penang, Malaysia, along with associated administrative support.

These changes will result in the reduction of approximately 2,300 direct manufacturing and related administrative support positions, or approximately 15 percent of the Company's worldwide workforce, by the end of the second quarter of 2002. Approximately 1,000 of these positions are associated with closing Fabs 14 and 15 in Austin, Texas. The balance of the reductions will result from reducing and restructuring activities primarily in Penang, Malaysia.

Prior to the date of the financial statements, management approved and committed the Company to the plan and determined the benefits that would be offered to the

employees being terminated. The benefits package was communicated to employees in sufficient detail to enable each affected employee to determine the type and amount of benefit he or she is entitled to receive.

The Company recorded restructuring costs and other special charges of $89.3 million, consisting of $34.1 million of anticipated severance and fringe benefit costs, $16.2 million of anticipated exit costs to close the facilities in Austin and Penang and $39.0 million of asset impairment charges. The asset impairment charges relate primarily to buildings and production equipment and have been incurred as a result of the Company's decision to implement the plan.

The Company recorded an additional charge of $6.9 million during the third quarter of 2001 for the impairment of inventories associated with Foundry Services and other discontinued product lines resulting from the restructuring plan. This amount was recorded in cost of sales in the Company's statement of operations.

A summary of the restructuring costs and other special charges is provided as follows:

(Thousands)	Total Charges	Noncash Charges	Cash Payments	Restructuring Liabilities September 30, 2001
Severance and employee benefits	$34,105	$ -	$ -	$34,105
Facility and equipment impairment	39,000	(39,000)	-	-
Facility and equipment decommission costs	15,500	-	-	15,500
Other facility exit costs	700	-	-	700
	$89,305	$(39,000)	$ -	$50,305

The Company expects to substantially complete execution of its restructuring plan by the end of the second quarter of 2002. None of the anticipated severance, fringe benefit or exit costs have been paid or used as of September 30, 2001.

12. New Accounting Pronouncement

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective January 1, 2002. SFAS 144 supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions relating to the disposal of a segment of a business under Accounting Principles Board Opinion No. 30. The Company does not expect that the adoption of SFAS 144 will have a significant impact on its financial statements.

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things: operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to produce AMD Athlon(TM) and AMD Duron(TM) microprocessors in the volume required by customers on a timely basis; our ability to maintain average selling prices of seventh-generation microprocessors despite aggressive pricing strategies of our competitors; the ability of third parties to provide timely infrastructure solutions (motherboards and chipsets) to support our microprocessors; our ability to increase customer and market acceptance of the newest versions of our seventh-generation microprocessors, particularly in commercial and mobile markets; a recovery in the communication and networking industries leading to an increase in the demand for Flash memory products; the effect of foreign currency hedging transactions; the production ramp of our new submicron integrated circuit manufacturing and design facility in Dresden, Germany (Dresden Fab 30); and the financing and construction of the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties as are detailed in our other Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and related notes included in this report and our Audited Financial Statements and related notes as of December 31, 2000 and December 26, 1999 and for each of the three years in the period ended December 31, 2000 as filed in our Annual Report on Form 10-K.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, AMD-K6, AMD Athlon and AMD Duron are either trademarks or registered trademarks of Advanced Micro Devices, Inc. Vantis is a trademark of Vantis Corporation. Legerity is a trademark of Legerity, Inc. Microsoft and Windows are either registered trademarks or trademarks of Microsoft Corporation. Other terms used to identify companies and products may be trademarks of their respective owners.

RESULTS OF OPERATIONS

We participate in all three technology areas within the digital Integrated Circuits (IC) market--microprocessors, memory circuits and logic circuits--through our Core Products and Foundry Services segments. Our Core Products segment includes our PC processors, Memory products and Other IC products. PC processors include our seventh-generation microprocessors, the AMD Athlon and AMD Duron microprocessors, and our sixth-generation microprocessors. Memory products include Flash memory devices and Erasable Programmable Read-Only Memory, or EPROM, devices. Other IC products include embedded processors, platform products and networking products. Our Foundry Services segment consists of fees for services that we provide to Legerity, Inc. and Vantis Corporation.

We use a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended September 30, 2001, July 1, 2001 and October 1, 2000 each included 13 weeks. The nine months ended September 30, 2001 and October 1, 2000 included 39 and 40 weeks.

The following is a summary of our net sales by segment for the periods presented below:

	Quarter Ended			Nine Months Ended	
(Millions)	September 30, 2001	July 1, 2001	October 1, 2000	September 30, 2001	October 1, 2000

Core Products segment:					
PC Processors	$ 467	$ 588	$ 625	$ 1,717	$ 1,771
Memory Products	210	316	420	937	1,109
Other IC Products	64	51	99	190	359
	741	955	1,144	2,844	3,239
Foundry Services segment	25	30	46	96	90
Voice Communications segment	--	--	17	--	140
	$ 766	$ 985	$ 1,207	$ 2,940	$ 3,469

Net Sales Comparison of Quarters Ended September 30, 2001 and July 1, 2001

Net sales of $766 million for the third quarter of 2001 decreased by 22 percent compared to net sales of $985 million for the second quarter of 2001.

PC Processors net sales of $467 million decreased 21 percent in the third quarter of 2001 compared to the second quarter of 2001. The decrease in net sales was primarily due to a decline in average selling prices resulting from very aggressive market pricing pressures. Total PC processor unit sales were relatively flat compared to the second quarter of 2001. In the fourth quarter of 2001, we currently expect PC processor net sales to range from unchanged to growth of 10 percent due to normal seasonality and the introduction of the new AMD Athlon XP and AMD Athlon MP processors. Maintaining overall PC Processor sales levels in the fourth quarter of 2001 is dependent upon continuing a successful production ramp in Dresden Fab 30, our ability to maintain average selling prices for our seventh-generation microprocessors, continuing growth in unit shipments of our PC processors, the availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of the newest versions of the AMD Athlon and AMD Duron processors.

Memory products net sales of $210 million decreased 34 percent in the third quarter of 2001 compared to the second quarter of 2001. The decrease resulted primarily from continuing weakness in the communications and networking equipment industries and excess inventories held by major customers. In the fourth quarter of 2001, we expect net sales of memory products to range from unchanged to growth of 10 percent due to an increase in unit shipments, partially offset by a decline in average selling prices.

Other IC products net sales of $64 million increased 25 percent in the third quarter of 2001 compared to the second quarter of 2001 primarily due to increased net sales of platform products, partially offset by a decrease in networking product sales as a result of the sustained weakness in

the communications and networking equipment industries. We expect Other IC revenues to decline in the fourth quarter of 2001 due to our restructuring plan, which results in the discontinuation of embedded processors and networking products by the end of the second quarter of 2002.

Foundry Services segment service fees of $25 million decreased 17 percent in the third quarter of 2001 from $30 million in the second quarter of 2001. The decrease was primarily due to a significant reduction in demand for product from Vantis. We expect that service fees will continue to decline in the fourth quarter of 2001 due to our restructuring plan, which results in the discontinuation of these services by the end of the second quarter of 2002.

Net Sales Comparison of Quarters Ended September 30, 2001 and October 1, 2000

Net sales of $766 million for the third quarter of 2001 decreased by 37 percent compared to net sales of $1,207 million for the third quarter of 2000.

PC Processors net sales of $467 million decreased 25 percent in the third quarter of 2001 compared to the same quarter of 2000 primarily due to a decline in average selling prices of our seventh-generation microprocessors, partially offset by higher unit sales of our seventh-generation microprocessors.

Memory products net sales of $210 million decreased by 50 percent in the third quarter of 2001 compared to the same quarter of 2000 due to a decline in unit shipments, partially offset by an increase in average selling prices. The decline in unit shipments resulted from the sustained weakness in the communications and networking equipment industries and excess inventories held by major customers.

Other IC products net sales of $64 million in the third quarter of 2001 decreased by 35 percent when compared to the same quarter of 2000 due to decreased net sales from networking and embedded processor products, partially offset by an increase in net sales of platform products.

Foundry Services segment service fees of $25 million in the third quarter of 2001 decreased by 46 percent compared to the same quarter of 2000. The decrease was primarily due to a significant reduction of product purchases and service fees from Vantis.

Net Sales Comparison of Nine Months Ended September 30, 2001 and October 1, 2000

Net sales of $2,940 million for the first nine months of 2001 decreased by 15 percent compared to net sales of $3,469 million for the first nine months of 2000.

PC Processors net sales of $1,717 million decreased three percent in the first nine months of 2001 compared to the same period of 2000 primarily due to lower average selling prices of our seventh-generation microprocessors and lower unit sales of AMD-K6 microprocessors, partially offset by higher unit shipments of our seventh-generation microprocessors.

Memory products net sales of $937 million decreased by 16 percent in the first nine months of 2001 compared to the same period of 2000 due to a decline in unit shipments resulting from the sustained weakness in the communications and networking equipment industries and excess inventories held by major customers.

Other IC products net sales of $190 million in the first nine months of 2001 decreased by 47 percent compared to the same period of 2000 due to decreased net sales from networking, platform and embedded processor products as the communications and networking equipment industries continued to decline.

Foundry Services segment service fees of $96 million in the first nine months of 2001 increased compared to the same period of 2000. The increase was primarily due to the addition of service fees from Legerity after the second quarter of 2000, partially offset by a reduction of product purchases and service fees from Vantis.

Comparison of Expenses, Gross Margin Percentage and Interest

The following is a summary of expenses, gross margin percentage and interest and other income (expense), net for the periods presented below:

	Quarter Ended			Nine Months Ended	
	September 30, 2001	July 1, 2001	October 1, 2000	September 30, 2001	October 1, 2000
(Millions except for gross margin percentage)					
Cost of sales	$ 594	$ 636	$ 639	$ 1,945	$ 1,857
Gross margin percentage	22%	35%	47%	34%	46%
Research and development	$ 161	$ 171	$ 163	$ 490	$ 480
Marketing, general and administrative	151	156	142	456	438
Restructuring and other special charges	89	-	-	89	-
Gain on sale of Legerity	-	-	337	-	337
Interest and other income (expense), net	(11)	12	20	20	61
Interest expense	10	20	17	52	40

We operate in an industry characterized by high fixed costs due to capital-intensive manufacturing processes, particularly the state-of-the-art production facilities required for PC processors and Flash memory devices. As a result, our gross margin percentage is significantly affected by fluctuations in product sales. Our ability to maintain gross margin percentages depends on continuing a successful production ramp in Dresden Fab 30, maintaining average selling prices of our core products, particularly in light of pricing pressures from Intel, continuing growth in unit shipments of our PC processors, the availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of the newest versions of the AMD Athlon and AMD Duron processors.

The gross margin percentage of 22 percent in the third quarter of 2001 decreased from 35 percent in the second quarter of 2001 and from 47 percent in the third quarter of 2000. The decrease in gross margin percentage in the third quarter of 2001 compared to the second quarter of 2001 was primarily attributable to a decline in the average selling prices and unit shipments for our core products resulting largely from very aggressive market pricing pressures from Intel. The decrease in gross margin percentage in the third quarter of 2001 compared to the same quarter in 2000 was primarily due to higher fixed manufacturing costs and decline in average selling prices. Fixed costs will continue to increase as we ramp Dresden Fab 30 production through the end of 2001. We expect the initial phases of Fab 30 to be at full capacity by the end of 2001.

Research and development expenses of $161 million in the third quarter of 2001 decreased six percent compared to the immediate prior quarter and one percent compared to the same quarter in 2000. The decrease was primarily due to reduced research and development activities for PC microprocessors.

Research and development and cost of sales included the recognition of deferred credits on foreign capital grants and interest subsidies that were received for Dresden Fab 30. Credits of approximately $11 million per quarter, denominated in deutsche marks, will continue to be offset against Dresden Fab 30 expenses in future quarters until June 2007.

Marketing, general and administrative expenses of $151 million in the third quarter of 2001 decreased three percent compared to the second quarter of 2001 as a result of a decrease in sales expenses, partially offset by an increase in marketing expenses for our core products. Marketing, general and administrative expenses in the third quarter of 2001 increased six percent compared to the same quarter in 2000. The increase was primarily due to increased advertising and marketing expenses for our core products.

On September 25, 2001, due to the continued slowdown in the semiconductor industry and a resulting decline in revenues, we announced a restructuring plan to accelerate key components of our strategy to reduce costs and enhance the financial performance of our core businesses. In connection with the plan, we will close Fabs 14 and 15 in Austin, Texas. These facilities support certain of our older products and our Foundry Service operations, which will be discontinued as part of the plan. We will also restructure other manufacturing facilities and reduce activities primarily in Penang, Malaysia, along with associated administrative support.

These changes will result in the reduction of approximately 2,300 direct manufacturing and related administrative support positions, or approximately 15 percent of our worldwide workforce, by the end of the second quarter of 2002. Approximately 1,000 of these positions are associated with closing Fabs 14 and 15 in Austin, Texas. The balance of the reductions will result from reducing and restructuring activities primarily in Penang, Malaysia.

Prior to the date of the financial statements, our management approved and committed us to the plan and determined the benefits that would be offered to the employees being terminated. The benefits package was communicated to employees in sufficient detail to enable each affected employee to determine the type and amount of benefit he or she is entitled to receive.

We recorded restructuring costs and other special charges of $89.3 million, consisting of $34.1 million of anticipated severance and fringe benefit costs, $16.2 million of anticipated exit costs to close the facilities in Austin and Penang and $39.0 million of asset impairment charges. The asset impairment charges relate primarily to buildings and production equipment and have been incurred as a result of our decision to implement the plan.

We recorded an additional charge of $6.9 million during the third quarter of 2001 for the impairment of inventories associated with Foundry Services and other discontinued product

lines resulting from the restructuring plan. This amount was recorded in cost of sales in our statement of operations.

A summary of the restructuring costs and other special charges is provided as follows:

(Thousands)	Total Charges	Noncash Charges	Cash Payments	Restructuring Liabilities September 30, 2001
Severance and employee benefits	$ 34,105	$ -	$ -	$ 34,105
Facility and equipment impairment	39,000	(39,000)	-	-
Facility and equipment decommission costs	15,500	-	-	15,500
Other facility exit costs	700	-	-	700
	$ 89,305	$ (39,000)	$ -	$ 50,305

We expect to substantially complete execution of our restructuring plan by the end of the second quarter of 2002. None of the anticipated severance, fringe benefit or exit costs have been paid or used as of September 30, 2001. Upon execution of the plan, we expect to realize an overall cost reduction of up to $125 million on an annualized basis.

Interest and other income (expense) decreased $23 million compared to the second quarter of 2001 primarily due to a $22 million charge for "other than temporary" declines in our equity investments. Interest and other income (expense) decreased $31 million compared to the same quarter of 2000 primarily due to a $22 million charge for "other than temporary" declines in our equity investments and an $8 million decrease in interest income due to a decrease in short-term investments.

Interest expense of $10 million in the third quarter of 2001 decreased 51 percent compared to the second quarter of 2001 primarily due to the redemption of our 6% convertible subordinated notes in May 2001. Interest expense decreased 41 percent compared to the same quarter of 2000 primarily due to the redemption of our 6% convertible subordinated notes and the redemption of the remaining $43 million of our outstanding 11% Senior Secured Notes due 2003 in the second quarter of 2001, partially offset by an increase of interest expense as a result of increased borrowings by AMD Saxony under the Dresden Loan Agreements, as described below.

Income Tax

We recorded an income tax benefit of $65 million in the third quarter of 2001 and an income tax provision of $175 million in the third quarter of 2000. The effective tax rates for the quarter and nine months ended September 30, 2001 were 26 percent and 12 percent, respectively, reflecting the provision of U.S. taxes on certain previously undistributed earnings of low-taxed foreign subsidiaries. The effective tax rates for the quarter and nine months ended October 1, 2000 were 29 percent and 22 percent, respectively, reflecting the realization of deferred tax assets for which no benefit was previously taken. The tax benefit on the restructuring charges in the quarter ended September 30, 2001 was $21 million or 24 percent reflecting the allocation of the charge between U.S. and foreign low-taxed jurisdictions.

Other Items

International sales as a percent of net sales were 68 percent in the third quarter of 2001 compared to 61 percent in the second quarter of 2001 and 57 percent in the third quarter of 2000. International sales as a percent of net sales were 64 percent in the first nine months of 2001 compared to 57 percent in the first nine months of 2000. During the third quarter of 2001, approximately one percent of our net sales were denominated in foreign currencies compared to six percent in the same period in 2000. We do not have sales denominated in local currencies in countries that have highly inflationary economies. The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been significant.

Comparison of Segment Income

For a comparison of segment net sales, refer to the previous discussions on net sales by product group.

The following is a summary of operating income (loss) by segment for the periods presented below:

	Quarter Ended			Nine Months Ended	
(Millions)	September 30, 2001	July 1, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Core Products	$ (124)	$ 28	$ 256	$ 70	$ 642
Foundry Services	(9)	(6)	8	(15)	17
Voice Communications	-	-	(1)	-	35
Total	$ (133)	$ 22	$ 263	$ 55	$ 694

Core Products' operating results for the third quarter of 2001 decreased $152 million compared to the second quarter of 2001 and $380 million compared to the third quarter of 2000. These decreases were primarily due to a decline in the average selling prices and unit shipments of our core products, due to the sustained downturn in the semiconductor, communications and networking equipment industries. Core

Products' operating results for the first nine months of 2001 decreased 89 percent compared to the first nine months of 2000 due to the sustained downturn in the semiconductor, communications and networking equipment industries, resulting in a decrease in net sales of our Core Products. As a result of the sale of Legerity, effective July 31, 2000, we no longer operate in our former Voice Communications segment, resulting in no operating income in this segment in the third quarter of 2001 compared to an operating loss of $1 million in this segment in the third quarter of 2000.

FINANCIAL CONDITION

Net cash provided by operating activities was $56 million in the first nine months of 2001 primarily due to an increase of $472 million from depreciation and amortization and a nonrecurring $89 million from restructuring and other special charges, offset by year to date losses of $45 million, a reduction to operating cash flows from net changes in deferred income taxes and foreign grant and subsidy income of $53 million and a net decrease of $414 million from changes in operating assets and liabilities.

Net cash provided by operating activities was $955 million in the first nine months of 2000 primarily due to net income of $805 million, a nonrecurring $337 million non-cash adjustment from the gain on the sale of Legerity in 2000, an increase of $429 million from depreciation and amortization, an increase of $71 million from income tax benefits from employee stock option exercises, and a decrease of $28 million from foreign grant and subsidy income.

Net cash used in investing activities was $466 million during the first nine months of 2001. Major uses of cash during the period included $542 million for the purchases of property, plant and equipment, primarily for Dresden Fab 30 and Asia manufacturing facilities and $122 million for additional equity investments in FASL, offset by $196 million of net proceeds from the maturities of available-for-sale securities.

Net cash used in investing activities was $540 million during the first nine months of 2000 primarily due to $577 million from the purchase of property, plant and equipment and $350 million for net purchases of available-for-sale securities, offset by the nonrecurring $375 million we received from the sale of Legerity.

Net cash provided by financing activities was $222 million during the first nine months of 2001 primarily due to $342 million in proceeds from Dresden Fab 30 borrowing activities and $39 million in proceeds from the issuance of stock in connection with stock option exercises and purchases under our Employee Stock Purchase Plan, offset by $90 million in payments on debt and capital lease obligations and $69 million from our repurchase of our common stock.

Net cash used in financing activities was $132 million during the first nine months of 2000 primarily due to $394 million in payments on debt and capital lease obligations, offset by $146 million in proceeds from borrowing activities and $116 million in proceeds from issuance of stock.

Under our loan and security agreement, effective as of July 13, 1999, which provides for a four-year secured revolving line of credit of up to $200 million, we can borrow, subject to amounts that may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of domestic cash we hold declines to certain levels or the amount of borrowings under our loan and security agreement rises to certain levels. Our obligation under our loan and security agreement is secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds. As of September

30, 2001, no funds were drawn under our loan and security agreement. In addition, we had available unsecured, uncommitted bank lines of credit in the amount of $24 million, none of which were outstanding.

We plan to make capital investments of approximately $800 million during 2001, of which approximately $542 million has been incurred as of September 30, 2001. These investments include those relating to the continued facilitization of Dresden Fab 30 and our fabrication facility in Austin, Texas, known as Fab 25.

On January 29, 2001, we announced that our board of directors had authorized a program to repurchase up to $300 million worth of our common stock over a period of time to be determined by management. Any such repurchases have been and will be made in the open market or in privately negotiated transactions from time to time in compliance with Rule 10b-18 of the Securities Exchange Act, subject to market conditions, applicable legal requirements and other factors. This program does not obligate us to acquire any particular amount of our common stock, and the program may be suspended at any time at our discretion. As of September 30, 2001, we had acquired 5,310,580 shares of our common stock at an aggregate cost of $69 million.

On May 21, 2001, we redeemed all $517.5 million of our outstanding 6% Convertible Subordinated Notes due 2005, which resulted in the conversion of $517.3 million of such Notes into approximately 28 million shares of our common stock. The remaining $0.2 million of Notes were paid in cash to investors.

On August 1, 2001, we redeemed all $43 million of our outstanding 11% Senior Secured Notes due 2003.

AMD Saxony, an indirect wholly owned German subsidiary of AMD, has constructed and has installed equipment in Dresden Fab 30, which began production in the second quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate that the construction and facilitization costs of Dresden Fab 30 will be $2.6 billion when fully equipped by the end of 2003. We have invested $1.7 billion as of September 30, 2001. In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

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

The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, as of September 30, 2001, we have invested $278 million in AMD Saxony in the form of subordinated loans and equity investments. In addition to support from AMD, the consortium of banks referred to above agreed to provide up to $708 million in

loans to AMD Saxony to help fund Dresden Fab 30 project costs. As of September 30, 2001, $662 million of the available loans were outstanding.

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

- guarantees of the lesser of 65 percent of AMD Saxony bank debt or $708 million;
- capital investment grants and allowances totaling $287 million; and
- interest subsidies totaling $144 million.

Of these amounts, AMD Saxony had received $284 million in capital investment grants and allowances and $54 million in interest subsidies as of September 30, 2001. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received as well as the repayment of all or a portion of amounts received to date. As of September 30, 2001, we were in compliance with all of the conditions of the grants and subsidies.

As most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth above are subject to change based on applicable conversion rates. We used the exchange rate at the end of the third quarter of 2001, which was approximately 2.12 deutsche marks to one U.S. dollar, to value the amounts denominated in deutsche marks.

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

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

- provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;
- fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates; and
- guarantee up to 35 percent of AMD Saxony's obligations under the Dresden Loan Agreements, which guarantee must not be less than $103 million or more than $283 million, until the bank loans are repaid in full.

AMD Saxony would be in default under the Dresden Loan Agreement if we, AMD Saxony or AMD Saxony Holding GmbH (AMD Holding), the parent company of AMD Saxony and a wholly owned subsidiary of AMD, fail to comply with certain obligations thereunder or upon the occurrence of certain events including:

- material variances from the approved plan and specifications;
- the failure to fund equity contributions or shareholder loans;
- violations of restrictions on sales of shares in AMD Saxony or AMD Holding;
- the failure to pay material obligations;
- the occurrence of a material adverse change or filings or proceedings in bankruptcy or insolvency with respect to us, AMD Saxony or AMD Holding; and
- the occurrence of a default under our loan and security agreement.

Generally, any default with respect to borrowings made or guaranteed by AMD results in recourse to us of more than $10 million and, if not cured by us, would result in a cross-default under the Dresden Loan Agreements and our loan and security agreement. As of September 30, 2001, we were in compliance with all conditions of the Dresden Loan Agreements.

In the event we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD Saxony would be unable to complete the continued facilitization of Dresden Fab 30. We would also be in default under the Dresden Loan Agreements and the loan and security agreement, which default would permit acceleration of certain indebtedness. We cannot assure that we will be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

FASL, a joint venture formed by AMD and Fujitsu Limited (Fujitsu) in 1993, is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL JV2, in Aizu-Wakamatsu, Japan. The facility, including equipment, is expected to cost approximately $915 million when fully equipped. As of September 30, 2001, approximately $870 million of this cost had been funded. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. The facility, designated as FASL JV3, is expected to cost approximately $1.5 billion when fully equipped. As of September 30, 2001, approximately $600 million and facilitization of this cost has been funded. To date, capital expenditures for construction of FASL JV2 and FASL JV3 have been funded by cash generated from FASL operations and borrowings by FASL. FASL has also expanded its production capacity through a foundry arrangement with Fujitsu Microelectronics, Inc. (FMI). In connection with this foundry arrangement, we agreed to guarantee up to $125 million of Fujitsu's obligations under FMI's credit facility. As of September 30, 2001, we had a $125 million loan guarantee outstanding with respect to this arrangement.

A significant portion of FASL capital expenditures in 2001 will continue to be funded by cash generated from FASL operations. In addition, both Fujitsu and AMD made capital contributions of 15 billion yen ($122 million) each to FASL during the second quarter of 2001. Further, to the

extent that additional funds are required for the full facilitization of FASL JV2 and FASL JV3, AMD may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of September 30, 2001, we had $7 million in loan guarantees outstanding with respect to these loans. These planned costs are incurred in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. On September 30, 2001, the exchange rate was 119.05 yen to 1 U.S. dollar, the rate we used to translate the amounts denominated in yen into U.S. dollars.

We believe that our cash flows from operations and current cash balances, together with available external financing, will be sufficient to fund our operations and capital investments for at least the next 12 months.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective January 1, 2002. SFAS 144 supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions relating to the disposal of a segment of a business under Accounting Principles Board Opinion No. 30. The Company does not expect that the adoption of SFAS 144 will have a significant impact on its financial statements.

RISK FACTORS

Our business, results of operations and financial condition are subject to a number of risk factors, including the following:

Flash Memory Products

The demand for Flash memory devices continues to be weak due to the sustained downturn in the communications and networking equipment industries and excess inventories held by our customers. In addition, competition in the market for Flash memory devices is expected to increase in 2002 and beyond as competing manufacturers introduce new products and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and Intel and other competitors introduce competitive products. A decline in sales of our Flash memory devices and/or lower average selling prices could have a material adverse effect on our business.

Microprocessor Products

AMD's Dependence on Microprocessor Sales. The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new process technologies at a fast pace and offer higher performance microprocessors in significantly greater volumes. If we fail to achieve yield and volume goals or to offer higher performance microprocessors in significant volume on a timely basis, our business could be materially and adversely affected.

We must continue to successfully market our seventh-generation Microsoft Windows compatible microprocessors, the AMD Athlon and AMD Duron microprocessors, in order to increase our microprocessor product revenues in 2001 and beyond. To sell the volume of AMD Athlon and AMD Duron microprocessors we currently plan to manufacture through 2002, we must increase sales to existing customers and develop new customers in both consumer and commercial markets. Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

- our ability to achieve a successful marketing position for the AMD Athlon XP microprocessor, which relies on market acceptance of a metric based on overall processor performance versus processor speed;
- our ability to maintain average selling prices of microprocessors despite increasingly aggressive Intel pricing strategies, marketing programs, new product introductions and product bundling of microprocessors, motherboards, chipsets and combinations thereof;
- our ability to continue offering new higher performance microprocessors competitive with Intel's Pentium 4 processor;
- our ability, on a timely basis, to produce microprocessors in the volume and with the performance and feature set required by customers;
- the pace at which we are able to ramp production in Dresden Fab 30 on 0.18- and 0.13-micron copper interconnect process technology;
- our ability to expand our chipset and system design capabilities;
- the availability and acceptance of motherboards and chipsets designed for our microprocessors; and
- the use and market acceptance of a non-Intel processor bus (adapted by us from Digital Equipment Corporation's EV6 bus) in the design of our seventh-generation and future generation microprocessors, and the availability of chipsets from vendors who will develop, manufacture and sell chipsets with the EV6 interface in volumes required by us.

If we fail to achieve continued and expanded market acceptance of our microprocessors, our business may be materially and adversely affected.

Investment in AMD Microprocessor Products. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. These capital expenditures will be a substantial drain on our cash flow and may also decrease our cash balances.

Intel Dominance. Intel has dominated the market for microprocessors used in PCs for many years. As a result, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the market requires of Intel's competitors. In addition, the financial strength of Intel allows it to vary prices on its microprocessors and other products at will. This aggressive pricing strategy has resulted in lower average selling prices and adversely affects our margins and profitability. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the "Intel Inside" brand program and other marketing programs. As long as Intel remains in this dominant position, we may be materially and adversely affected by its:

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

We expect Intel to maintain its dominant position in the marketplace as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies.

Intel also dominates the PC system platform. As a result, PC OEMs are increasingly dependent on Intel, less innovative on their own and, to a large extent, distributors of Intel technology. In marketing our microprocessors to these OEMs and dealers, we depend on companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and other components. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes, and will continue to make, it increasingly difficult for these third parties to retain or regain market share.

Our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for seventh-generation and future generation microprocessors will depend on our ability to ensure that the microprocessors can be used in PC platforms designed to support our microprocessors or that platforms are available that support both Intel processors and our microprocessors. A failure of the designers and producers of motherboards, chipsets, processor modules and other system components to support our microprocessor offerings could have a material adverse effect on our business.

Fluctuations in the PC Market. Our future growth is closely tied to the growth of the PC industry. Industry-wide fluctuations in the PC marketplace have in the past and may in the future materially and adversely affect our business.

Dependence on Microsoft and Logo License. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for our x86 instruction sets, independent software providers may forego designing their software applications to take advantage of our innovations. In addition, we have entered into logo license agreements with Microsoft that allow us to label our products as "Designed for Microsoft Windows." If we fail to retain the support and certification of Microsoft, our ability to market our processors could be adversely affected.

Demand for Our Products Affected by Worldwide Economic and Political Conditions

The economic slowdown in the United States and worldwide, exacerbated by the occurrence and threat of terrorist attacks and consequences of sustained military action, could adversely affect demand for our microprocessors, Flash memory devices and other integrated circuits. Similarly, a continued decline of the worldwide semiconductor market or a significant decline in economic conditions in any significant geographic area could decrease the overall demand for our products, which could have a material adverse effect on our business.

Financing Requirements

We will have significant capital requirements during the remainder of 2001 and in 2002. To the extent that we cannot generate the required capital internally or obtain such capital externally, our business could be materially and adversely affected.

In March 1997, our indirect wholly owned subsidiary, AMD Saxony, entered into the Dresden Loan Agreements with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In February 2001, these agreements were amended. If we are unable to meet our obligations to AMD Saxony as required under the Dresden Loan Agreements, we will be in default under the Dresden Loan Agreements, which would permit acceleration of indebtedness.

In July 2000, FASL broke ground for a third fabrication facility, FASL JV3, for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. To the extent that additional funds are required for the full facilitization of FASL JV2 and FASL JV3, AMD may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. If we are unable to fulfill our obligations to FASL, our business could be materially and adversely affected.

Manufacturing

Capacity. From time to time, we underutilize our manufacturing facilities as a result of reduced demand for certain of our products. We are substantially increasing our manufacturing capacity by making significant capital investments in Dresden Fab 30, FASL JV3 and our test and assembly facility in Suzhou, China. If industry projections are inaccurate, or if the increase in demand for our products is not consistent with our expectations, we may underutilize our manufacturing facilities and our business could be materially and adversely affected.

There may also be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on our business. At this time, the risk is that we will have underutilized capacity in Fab 25, in our manufacturing facilities that support our Foundry Services segment and in the manufacturing facilities used to make our Flash memory devices.

Conversion of Fab 25 to Flash Memory Device Production. We have begun to convert Fab 25 from production of microprocessors to production of our Flash memory devices. During the period of conversion, this asset may not be fully productive. Further, we cannot be certain that we will be able to implement the process technology for this conversion in a timely manner. A substantial delay in the successful conversion of Fab 25 could have a material adverse effect on our business.

Facilitization of Dresden Fab 30. Facilitization of Dresden Fab 30 is expected to be completed by the end of 2003. During this process, Dresden Fab 30 will not be fully productive. A substantial delay in the facilitization of Dresden Fab 30 could have a material adverse effect on our business.

Process Technology. We make substantial investments in research and development of process technologies in an effort to improve the technologies and equipment used to fabricate our products. However, we cannot be certain that we will be able to develop or obtain or successfully implement leading-edge process technologies needed to fabricate future generations of our products.

Manufacturing Interruptions and Yields. Any substantial interruption of our manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could materially and adversely affect our business operations. Further, manufacturing yields may be adversely affected by, among other things, errors and interruptions in the fabrication process, defects in raw materials, implementation of new manufacturing processes, equipment performance and process controls.

Product Incompatibility. It is possible that our products may not be 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 and adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

Product Defects. It is possible that one or more of our products may be found to be defective after the product has been shipped to customers in volume. The cost of a recall, software fix, product replacements and/or product returns may be substantial and could have a material and adverse effect on our business. In addition, modifications needed to fix the defect may impede performance of the product.

Essential Manufacturing Materials. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we were unable to procure certain of these materials, we might have to reduce our manufacturing operations, which reduction could have a material adverse effect on our business.

International Manufacturing and Foundries. Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; Suzhou, China; and Singapore; or by subcontractors in the United States and Asia. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers. The political and economic risks associated with foreign manufacturing and the construction of foreign facilities include political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, disruption in air transportation between the United States and our overseas facilities and loss or modification of exemptions for taxes and tariffs.

Key Personnel

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

Fluctuations in Operating Results

Our operating results are subject to substantial quarterly and annual fluctuations due to a variety of factors, including decreases in unit average selling prices of our products, general worldwide economic conditions, the gain or loss of significant customers, market acceptance of our products and new product introductions by us or our competitors. In addition, changes in the mix of products produced and sold in the mix of sales by distribution channels, in the availability and cost of products from our suppliers, or in production capacity and manufacturing yields can contribute to periodic fluctuations in operating results.

Our operating results also tend to vary seasonally. Our revenues are generally lower in the first, second and third quarters of each year than in the fourth

EXHIBIT 42

REDACTED IN ITS ENTIRETY

EXHIBIT 43

PATRICK LYNCH (S.B. #39749)
DAVID I. HURWITZ (S.B. #174632)
O'MELVENY & MYERS LLP
400 South Hope Street
Los Angeles, California 90071-2899
Telephone: (213) 430-6000
Facsimile: (213) 430-6407

Attorneys for
Advanced Micro Devices, Inc.

Filed

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RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

Advanced Micro Devices, Inc., Applicant, v. Intel Corporation, Respondent.	CV 01 Case No. 7033 MISC WAI **AMD'S APPLICATION FOR ORDER DIRECTING INTEL TO PRODUCE DOCUMENTS PURSUANT TO 28 U.S.C. § 1782 FOR USE IN EUROPEAN COMMISSION, CASE NO. COMP/C3-37.990 – AMD/INTEL**

Pursuant to 28 U.S.C. § 1782, Advanced Micro Devices, Inc. ("AMD") respectfully applies for an order to Intel Corporation ("Intel") directing that it produce in electronic format, the Intel documents produced to Intergraph Corporation in the case of Intergraph Corporation v. Intel Corporation, CV 97-N-3023-NE, United States District Court for the Northern District of Alabama, Northeast Division (the "Intergraph case") and the transcripts of depositions of Intel employees taken in the Intergraph case. AMD makes this application as a party interested in a proceeding before the European Commission, Case No. COMP/C3-37.990 – AMD/Intel.

Jurisdiction

1. The Court has jurisdiction pursuant to 28 U.S.C. § 1331. This application is made pursuant to 28 U.S.C. § 1782. Venue is proper in this district pursuant

to 28 U.S.C. § 1391(b).

Intradistrict Assignment

2. This application should be assigned to the San Jose Division pursuant to Civil L.R. 3-2(e).

Parties

3. AMD is a corporation organized under the laws of Delaware with its principal place of business located in Sunnyvale, California.

4. Intel is a corporation organized under the laws of Delaware with its principal place of business located in Santa Clara, California.

European Commission Proceeding

5. On October 23, 2000, AMD filed a complaint with the European Commission against Intel for engaging in anti-competitive behavior in violation of Articles 81 and 82 of the EC Treaty. The case is now pending before the European Commission, Case No. COMP/C3-37.990 – AMD/Intel.

6. AMD's complaint alleges that Intel has abused its dominant position in the Windows-capable microprocessor market through: (i) granting loyalty rebates and imposing exclusive purchasing obligations on manufacturers of personal computers and retailers which have a substantially foreclosing effect on the market; (ii) price discrimination and refusing to supply necessary components new Intel products and product information to manufacturers as retribution for buying from AMD; and (iii) entering into standard-setting cartels with other manufacturers to the competitive injury of firms not allowed timely access to the standard specifications. These practices would constitute an infringement of Article 81 and/or 82 of the EC Treaty and of Articles 53 and/or 54 of the EEA Agreement.

7. AMD is an interested party in the European Commission proceeding as the complaining party.

Intel Document Production and Deposition Testimony in Intergraph v. Intel

8. Intel produced documents and provided testimony

in the Intergraph case, a private antitrust action filed by Intergraph against Intel alleging that Intel had monopolized the Windows-capable microprocessor market and associated chipsets.

9. AMD believes that the documents produced and testimony provided by Intel in the Intergraph case would be highly pertinent to the claims raised by AMD in its complaint and would be of great assistance to the European Commission in reaching a decision on AMD's claims.

10. AMD does not have access to the documents produced and transcripts of testimony provided in the Intergraph case as such documents and transcripts are subject to a protective order issued in that action.

11. It would not be overly burdensome or oppressive for Intel to produce the documents and transcripts from the Intergraph case to AMD for use in the proceeding before the European Commission as the documents are readily identifiable and Intel has gathered and reviewed the documents for privilege.

WHEREFORE, AMD prays for an order directing Intel Corporation to produce to AMD the documents Intel produced and transcripts of testimony provided in the Intergraph case, for use in the proceeding now pending before the European Commission, Case No. COMP/C3-37.990 – AMD/Intel, and for such other and further relief as the Court may deem just and proper.

Dated: September 26, 2001

PATRICK LYNCH
DAVID I. HURWITZ
O'MELVENY & MYERS LLP

By ______________________
Patrick Lynch
Attorneys for Advanced Micro Devices, Inc.

Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

Dated: September 26, 2001

PATRICK LYNCH
DAVID I. HURWITZ
O'MELVENY & MYERS LLP

By [signature]
Patrick Lynch
Attorneys for Advanced Micro Devices, Inc.

LA2:575968.2

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

CERTIFICATE OF SERVICE

I, W. Harding Drane, Jr., hereby certify that on December 2, 2008, the attached document was hand delivered to the following persons and was electronically filed with the Clerk of the Court using CM/ECF which will send notification of such filing(s) to the following and the document is available for viewing and downloading from CM/ECF:

Jesse A. Finkelstein
Frederick L. Cottrell, III
Chad M. Shandler
Steven J. Fineman
Richards, Layton & Finger
One Rodney Square
920 North King Street
Wilmington, DE 19801

James L. Holzman
J. Clayton Athey
Prickett, Jones & Elliott, P.A.
1310 King Street
P.O. Box 1328
Wilmington, DE 19899

I hereby certify that on December 2, 2008, I have Electronically Mailed the documents to the following non-registered participants:

Charles P. Diamond
Linda J. Smith
O'Melveny & Myers LLP
1999 Avenue of the Stars, 7th Floor
Los Angeles, CA 90067
cdiamond@omm.com
lsmith@omm.com

Mark A. Samuels
O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, CA 90071
msamuels@omm.com

Salem M. Katsh
Laurin B. Grollman
Kasowitz, Benson, Torres & Friedman LLP
1633 Broadway, 22nd Floor
New York, New York 10019
skatsh@kasowitz.com
lgrollman@kasowitz.com

Daniel A. Small
Cohen, Milstein, Sellers & Toll , P.L.L.C.
255 S. 17th Street
Suite 1307
Philadelphia, PA 19103
mhausfeld@cmht.com
dsmall@cmht.com
blandau@cmht.com

Craig C. Corbitt
Judith A. Zahid
Zelle, Hofmann, Voelbel, Mason
& Gette LLP
44 Montgomery Street
Suite 3400
San Francisco, CA 94104
ccorbitt@zelle.com
jzahid@zelle.com

Steve W. Berman
Anthony D. Shapiro
Hagens Berman Sobol Shapiro, LLP
1301 Fifth Avenue, Suite 2900
Seattle, WA 98101
steve@hbsslaw.com
tony@hbsslaw.com

Guido Saveri
R. Alexander Saveri
Saveri & Saveri, Inc.
111 Pine Street, Suite 1700
San Francisco, CA 94111
guido@saveri.com
rick@saveri.com

By: */s/ W. Harding Drane, Jr.*

Richard L. Horwitz (#2246)
W. Harding Drane, Jr. (#1023)
POTTER ANDERSON & CORROON LLP
Hercules Plaza, 6th Floor
1313 N. Market Street
P.O. Box 951
Wilmington, DE 19899-0951
(302) 984-6000
rhorwitz@potteranderson.com
wdrane@potteranderson.com
Attorneys for Defendants
Intel Corporation and Intel Kabushiki Kasiha

Dated: December 2, 2008