

10-Q 1 d10q.txt FORM 10-Q FOR PERIOD ENDED 7-1-2001 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 (I.R.S. Employer Identification No.) of incorporation or
organization) 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 -1-
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-2- 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, July 2, July 1,
July 2, 2001
2000 2001
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. ----- -3- ADVANCED MICRO DEVICES, INC. ----- CONDENSED
 CONSOLIDATED BALANCE SHEETS ----- (Thousands)

July 1, December 31,
 2001 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. -----
 ----- -4- ADVANCED MICRO DEVICES, INC. ----- CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ----- (Unaudited) (Thousands)

Six Months
 Ended -----

 - July 1, July 2,
 2001 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. ----- -5- 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. -6- 2. Available-For-Sale Securities The following is a summary of available-for-sale securities: July 1, (Thousands) 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 ----- -7- 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 -----

 ----- July 1,
 July 2, July 1,
 July 2,
 (Thousands
 except per
 share data)
 2001 2000
 2001 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

-8- 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 -----

 ---- July 1,
 July 2, July
 1, July 2,
 (Thousands)
 2001 2000
 2001 2000

Royalty
 income \$
 10,604 \$
 7,110 \$
 24,949 \$
 13,653
 Purchases
 129,027
 78,420
 288,754
 154,658

The following is condensed unaudited financial data of FASL:

Quarter
 Ended Six
 Months
 Ended -----

July 1, July
 2, July 1,
 July 2,
 (Thousands)
 2001 2000
 2001 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 -9- a summary of the operating income by segment for the quarters and six months ended July 1, 2001 and July 2, 2000:

Quarter Ended
 Six Months
 Ended -----

(Thousands) July
 1, July 2, July 1,
 July 2, Net sales:
 2001 2000 2001
 2000 -----

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
=====

- 10- 6. Comprehensive Income (Loss) The following are the components of comprehensive income (loss):

Quarter Ended
Six Months
Ended -----

----- July 1,
July 2, July 1,
July 2,
(Thousands)
2001 2000
2001 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: July 1, December 31, (Thousands) 2001 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) ----- -11- 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. -12- 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. -13- 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:

Six Months Ended (Thousands) 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. -14- -----

- 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 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. -15- -----

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. -16- The following is a summary of our net sales by segment for the periods presented below:

Quarter Ended
Six Months
Ended -----

----- July
1, April 1, July
2, July 1, July 2,
(Millions) 2001
2001 2000
2001 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. -17- 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. -18- 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:

Quarter
Ended Six
Months
Ended -----

July 1, April
1, July 2, July
1, July 2,
(Millions
except for
gross margin
percentage)
2001 2001
2000 2001
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 -19- 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 -----
-----	-----	-----
--- July 1, April	1, July 2, July 1,	July 2, (Millions)
2001 2001	2000 2001	2000 -----
-----	-----	-----
Core Products	\$ 28 \$ 166 \$	226 \$ 194 \$
386 Foundry	Services (6) 14	(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 -20- 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. -21- ----- 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 -22- 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 -23- 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: -24- . 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 -25- 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; -26- . 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 -27- 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: -28- . 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 -29- 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.

-30- 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.

-31- 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. Product Incompatibility. Our products may possibly be incompatible with some or all industry-standard software and hardware. If our customers are unable to achieve compatibility with software or hardware after our products are shipped in volume, we could be materially and adversely affected. It is also possible that we may be unsuccessful in correcting any such compatibility -

32- problems that are discovered or that corrections will be unacceptable to customers or made in an untimely manner. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business. Product Defects. One or more of our products may possibly be found to be defective after we have already shipped such products in volume, requiring a product replacement, recall or a software fix which would cure such defect but impede performance. We may also be subject to product returns which could impose substantial costs on us and have a material and adverse effect on our business. Essential Manufacturing Materials. Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. For example, we are dependent on key chemicals from a limited number of suppliers, and a few foreign companies principally supply several types of the integrated circuit packages purchased by us. Interruption of supply or increased demand in the industry could cause shortages in various essential materials. We would have to reduce our manufacturing operations if we

were unable to procure certain of these materials. This reduction in our manufacturing operations could have a material adverse effect on our business.

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

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

Fluctuations in Operating Results Our operating results are subject to substantial quarterly and annual fluctuations due to a variety of factors, including:

- the effects of competition with Intel in microprocessor and Flash memory device markets;
- decreases in unit average selling prices of our products due to competitive pricing pressures or other factors;
- the gain or loss of significant customers;
- new product introductions by us or our competitors;
- changes in the mix of products produced and sold and in the mix of sales by distribution channels;
- market acceptance of new or enhanced versions of our products;
- production capacity levels and fluctuations in manufacturing yields;
- availability and cost of products from our suppliers;
- seasonal customer demand; and
- the timing of significant orders and the timing and extent of product development costs.

Our operating results also tend to vary seasonally due to vacation and holiday schedules. Our revenues are generally lower in the first, second and third quarters of each year than in the fourth quarter. This seasonal pattern is largely a result of decreased demand in Europe during the summer months and higher demand in the retail sector of the personal computer market during the winter holiday season. In addition, operating results have recently been, and may in the future be, adversely affected by general economic and other conditions causing a downturn in the market for semiconductor devices, or otherwise affecting the timing of customer orders or causing order cancellations or rescheduling. Our customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of our control. These factors are difficult to forecast, and these or other factors could materially and adversely affect our quarterly or annual operating results.

Other Risk Factors

Technological Change and Industry Standards. The market for our products is generally characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. Currently accepted industry standards may change. Our success depends substantially on our ability, on a cost-effective and timely basis, to continue to enhance our existing products and to develop and introduce new products that take advantage of technological advances and adhere to evolving industry standards. An unexpected change in one or more of the technologies related to our products, in market demand for products based on a particular technology or of accepted industry standards could materially and adversely affect our business. We may or may not be able to develop new products in a timely and satisfactory manner to address new industry standards and technological changes, or to respond to new product announcements by others. In addition, new products may or may not achieve market acceptance.

Competition. The integrated circuit industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency -34- and competition increase, and as successive generations of products are developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on:

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

Order Revision and Cancellation Policies. We manufacture and market standard lines of products. Sales are made primarily pursuant to purchase orders for current delivery or agreements covering purchases over a period of time, which may be revised or canceled without penalty. As a result, we must commit resources to the production of products without any advance purchase commitments from customers. Our inability to sell products after we devoted significant resources to them could have a material adverse effect on our business.

Distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally allow for the return of our products if the agreement with the distributor is terminated. The market for our products is generally characterized by, among other things, severe price competition. The price protection and return rights we offer to our distributors could materially and adversely affect us if there is an unexpected significant decline in the price of our products.

Intellectual Property Rights. It is possible that:

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

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We could decide, in the alternative, to resort to -35- litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on our business. We cannot give any assurance that all necessary licenses can be obtained on satisfactory terms, or whether litigation may always be avoided or successfully concluded.

California Energy Crisis. California's two largest power companies are currently experiencing a power shortage that has resulted in periodic "rolling" blackouts to maintain the stability of the state power grid. Certain of our California facilities, including our headquarters, product design, sales and process technology development facilities, are susceptible to power interruptions as long as the energy crisis continues. One of the power companies, PG&E, has filed an additional contingency plan with the California Public Utilities Commission that would, if implemented, result in lengthy and routine power interruptions that would directly impact our leading-edge process technology development efforts, which could have a material adverse impact on our business. We are continuing to assess the impact of the energy crisis on our operations.

Environmental Regulations. We could possibly be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with

present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process. Such regulations could require us to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business. International Sales. Our international sales operations entail political and economic risks, including expropriation, currency controls, exchange rate fluctuations, changes in freight rates and changes in rates and exemptions for taxes and tariffs. Volatility of Stock Price; Ability to Access Capital. Based on the trading history of our stock, we believe that the following factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially: . quarterly fluctuations in our operating and financial results; . announcements of new products and/or pricing by us or our competitors; . the pace of new process technology and product manufacturing ramps; . production yields of key products; and . general conditions in the semiconductor industry. In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of our common stock in any given period. Technology company stocks in general have experienced extreme price and volume fluctuations that are often unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of our common stock and consequently limit our ability to raise capital or to make acquisitions. Our current long term business plan envisions substantial cash outlays which may require external capital -36- financing. It is possible that capital and/or long-term financing will be unavailable on terms favorable to us or in sufficient amounts to enable us to implement our strategic plans. Debt Restrictions. The Dresden Loan Agreements substantially prohibit AMD Saxony from transferring assets to us. Earthquake Danger. Our corporate headquarters, a portion of our manufacturing facilities, assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. We could be materially and adversely affected in the event of a major earthquake. Euro Conversion. On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro. The participating countries adopted the euro as their common legal currency on that date. The transition period will last through January 1, 2002. We do not expect the introduction and use of the euro to materially affect our foreign exchange activities, to affect our use of derivatives and other financial instruments or to result in any material increase in costs to us. We will continue to assess the impact of the introduction of the euro currency over the transition period. -37- ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK In February 2001, we cancelled the interest rate swap agreement with a counterparty under which the difference between fixed- and floating-rate interest amounts calculated on an agreed-upon notional principal amount (\$400 million) were exchanged at specified intervals. The cancellation resulted in a gain to us of \$475,000. For additional Quantitative and Qualitative Disclosures about Market Risk, including other foreign exchange risks associated with Dresden Fab 30, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000. -38- PART II. OTHER INFORMATION ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS AMD's annual meeting of stockholders was held on April 26, 2001. The following are the results of the voting on the proposals submitted to stockholders at the annual meeting. Proposal No. 1 Election of Directors. The following individuals were elected as directors: Name For Withheld W.J. Sanders III 259,400,030 3,474,452 Hector de J. Ruiz 260,949,548 1,924,934 Charles M. Blalack 260,942,422 1,932,060 R. Gene Brown 260,946,780 1,927,702 Robert B. Palmer 260,956,232 1,918,250 Joe L. Roby 260,397,720 2,476,762 Friedrich Baur 260,952,910 1,921,572 Leonard Silverman 260,955,950 1,918,532 Proposal No. 2: The proposal to ratify the appointment of Ernst & Young LLP as AMD's independent auditors for the current fiscal year was approved. For: 260,323,157 Against: 1,464,839 Abstain: 1,086,486 Proposal No. 3: The proposal to approve the amendments to the 1996 Stock Incentive Plan was approved. For: 185,413,030 Against: 75,942,169 Abstain: 1,519,282 Broker Non-Vote: 1 Proposal No. 4: The proposal to reapprove the performance goals under the 1996 Executive Incentive Plan was approved. For: 253,889,078 Against: 7,384,154 Abstain: 1,601,249 Broker Non-Vote: 1 Proposal No. 5: The proposal to approve the amendments to the 2000 Employee Stock Purchase Plan was approved. For: 250,342,812 Against: 11,064,097 Abstain: 1,467,572 Broker Non-Vote: 1 -39- ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits *10.23(b-1) Third Amendment to Technology Cross License Agreement, effective April 2, 2001, between AMD and Fujitsu Limited. *10.23(g-1) Amendment to Joint Venture License Agreement, effective April 1, 1999, between AMD and Fujitsu Limited. *10.23(j) Guaranty, effective as of October 1, 2000, by AMD in favor of and for the benefit of Fujitsu Limited. 10.57 Employment Agreement, dated as of September 27, 2000, between AMD and Robert J. Rivet. *10.58 Patent Cross-License Agreement, dated as of May 4, 2001, between AMD and Intel Corporation. 10.59 Loan Agreement, dated as of June 19, 2001, between AMD and Hector and Judy Ruiz. (b) Reports on Form 8-K 1. A Current Report on Form 8-K dated April 18, 2001, reporting under Item 5 - Other Events, was filed announcing our first quarter earnings. 2. A Current Report on Form 8-K dated May 7, 2001, reporting under Item 5 - Other Events, was filed announcing our intention to redeem all of our outstanding 6% Convertible Subordinated Notes due 2005 on May 21, 2001. * Confidential treatment has been requested with respect to certain parts of this Exhibit. -40- 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 thereunto duly authorized. ADVANCED MICRO DEVICES, INC. Date: August 8, 2001 By: /s/ Robert J. Rivet ----- Robert J. Rivet Senior Vice President, Chief Financial Officer Signing on behalf of the registrant and as the principal accounting officer -41-