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 2, 2000

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

For the transition period from _____ to _____

Commission File Number 1-7882

ADVANCED MICRO DEVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1692300
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One AMD Place Sunnyvale, California	94086
(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 7, 2000: 155,744,812

INDEX

Part I. Financial Information

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Thousands except per share amounts)

	Quarter Ended		Six Months Ended	
	July 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
Net sales	$1,170,437	$ 595,109	$2,262,466	$1,226,702
Expenses:				
Cost of sales	612,567	458,339	1,218,324	908,770
Research and development	155,651	167,278	316,948	327,224
Marketing, general and administrative	152,022	124,520	296,328	251,830
Restructuring and other special charges	-	17,514	-	32,530
	920,240	767,651	1,831,600	1,520,354
Operating income (loss)	250,197	(172,542)	430,866	(293,652)
Gain on sale of Vantis	-	432,059	-	432,059
Interest income and other, net	19,935	7,252	41,063	18,020
Interest expense	(11,244)	(18,087)	(22,723)	(38,850)
Income before income taxes and equity in joint venture	258,888	248,682	449,206	117,577
Provision for income taxes	51,778	172,823	51,778	167,350
Income (loss) before equity in joint venture	207,110	75,859	397,428	(49,773)
Equity in net income (loss) of joint venture	32	4,037	(937)	

1,302			
Net income (loss)	$ 207,142	$ 79,896	$ 396,491
$ (48,471)			
Net income (loss) per common share:			
Basic	$ 1.34	$ 0.54	$ 2.60
$ (0.33)			
Diluted	$ 1.21	$ 0.53	$ 2.36
$ (0.33)			
Shares used in per share calculation:			
Basic	154,558	146,947	152,719
146,428			
Diluted	176,218	149,540	174,080
146,428			

</TABLE>

See accompanying notes

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS*

(Thousands)

<TABLE>
<CAPTION>

<S>	July 2, 2000 <C>	December 26, 1999 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 709,523	$ 294,125
Short-term investments	370,370	302,386
Total cash, cash equivalents and short-term investments	1,079,893	596,511
Accounts receivable, net	533,007	429,809
Inventories:		
Raw materials	11,430	10,236
Work-in-process	162,101	97,143
Finished goods	82,048	90,834
Total inventories	255,579	198,213
Deferred income taxes	63,440	55,956
Prepaid expenses and other current assets	127,472	129,389
Total current assets	2,059,391	1,409,878
Property, plant and equipment, at cost	5,063,403	4,938,302
Accumulated depreciation and amortization	(2,587,736)	(2,415,066)
Property, plant and equipment, net	2,475,667	2,523,236
Investment in joint venture	267,448	273,608
Other assets	160,988	170,976
	$ 4,963,494	$ 4,377,698
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 353,398	$ 387,193
Accrued compensation and benefits	155,779	91,900
Accrued liabilities	233,256	273,689
Income tax payable	18,763	17,327
Deferred income on shipments to distributors	99,590	92,917
Current portion of long-term debt, capital lease obligations and other	75,951	47,626

Total current liabilities	936,737	910,652
Deferred income taxes	101,861	60,491
Long-term debt, capital lease obligations and other, less current portion	1,481,725	1,427,282
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value	1,649	1,496
Capital in excess of par value	1,219,409	1,121,956
Retained earnings	1,269,726	873,235
Accumulated other comprehensive loss	(47,613)	(17,414)
Total stockholders' equity	2,443,171	1,979,273
	$ 4,963,494	$ 4,377,698

</TABLE>

* Amounts as of July 2, 2000 are unaudited. Amounts as of December 26, 1999 were derived from the December 26, 1999 audited financial statements.

See accompanying notes

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

<TABLE>
<CAPTION>

	Six Months Ended	
	July 2, 2000	June 27, 1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	$ 396,491	$ (48,471)
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:		
Gain on sale of Vantis	-	(432,059)
Depreciation and amortization	275,703	255,371
Net change in deferred income taxes	33,886	166,419
Restructuring and other special charges	-	25,038
Foreign grant and subsidy income	(22,155)	(25,405)
Net loss on disposal of property, plant and equipment	3,414	5,336
Net gain realized on sale of available-for-sale securities	-	(4,250)
Undistributed loss (income) of joint venture	937	(1,302)
Recognition of deferred gain on sale of building	(840)	(840)
Net compensation recognized under employee stock options	2,508	(63)
Changes in operating assets and liabilities:		
Net (increase) decrease in receivables, inventories, prepaid expenses and other assets	(150,241)	22,491
Net (decrease) increase in payables and accrued liabilities	(15,740)	31,391
Increase (decrease) in income tax payable	1,436	(11,402)
Customer deposits under long-term purchase agreements	142,500	-
Net cash provided by (used in) operating activities	667,899	(17,746)
Cash flows from investing activities:		
Proceeds from sale of Vantis	-	454,269
Purchase of property, plant and equipment	(289,893)	(347,446)
Proceeds from sale of property, plant and equipment	9,660	2,915
Purchase of available-for-sale securities	(1,562,628)	(1,041,084)
Proceeds from sale of available-for-sale securities	1,497,207	935,686
Net cash (used in) provided by investing activities	(345,654)	4,340
Cash flows from financing activities:		
Proceeds from borrowings	6,924	5,835
Payments on debt and capital lease obligations	(12,380)	(149,398)
Proceeds from issuance of stock	95,099	27,256
Net cash provided by (used in) financing activities	89,643	(116,307)
Effect of exchange rate changes on cash and cash equivalents	3,510	(11,557)
Net increase (decrease) in cash and cash equivalents	415,398	(141,270)
Cash and cash equivalents at beginning of period	294,125	361,908
Cash and cash equivalents at end of period	$ 709,523	$ 220,638

	==========	==========
Supplemental disclosures of cash flow information:		
Cash paid (refunded) during the first six months for:		
Interest	$ 23,542	$ 46,449
	==========	==========
Income taxes	$ 9,734	$ 9,768
	==========	==========

</TABLE>

See accompanying notes
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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 with 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 31, 2000. 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 26, 1999.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended July 2, 2000 and June 27, 1999 each included 13 weeks.

2. Available-For-Sale Securities

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

<TABLE>
<CAPTION>

(Thousands)	July 2, 2000
<S>	<C>
Cash equivalents:	
Bank note	$ 10,000
Money market funds	35,301
Commercial paper	505,034
Certificates of deposit	10,000
Federal agency note	15,278
Total cash equivalents	$575,613
Short-term investments:	
Federal agency notes	$ 33,505
Floating rate note	5,000
Money market auction rate preferred stocks	224,358
Certificate of deposit	9,973
Corporate notes	16,232
Commercial paper	81,302
Total short-term investments	$370,370
Long-term investments:	
Equity investments	$ 22,935
Commercial paper	9,999
Treasury notes	1,350
Total long-term investments (included in other assets)	$ 34,284

</TABLE>

3. Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average common shares outstanding. Diluted net income (loss) per common share is computed using the weighted-average common shares outstanding plus any potential dilutive securities. Dilutive securities include stock

options, restricted stock and convertible debt. The following table sets forth the computation of basic and diluted net income (loss) per common share:

<TABLE>
<CAPTION>

(Thousands except per share data)	Quarter Ended July 2, 2000	Quarter Ended June 27, 1999	Six Months Ended July 2, 2000	Six Months Ended June 27, 1999
<S>	<C>	<C>	<C>	<C>
Numerator:				
Numerator for basic net income (loss) per common share	$207,142	$ 79,896	$396,491	$(48,471)
Effect of adding back interest expense associated with convertible debentures	6,207	-	13,970	-
Numerator for diluted net income (loss) per common share	$213,349	$ 79,896	$410,462	$(48,471)
Denominator:				
Denominator for basic net income (loss) per common share - weighted-average shares	154,558	146,947	152,719	146,428
Effect of dilutive securities:				
Employee stock options	7,680	2,538	7,380	-
Restricted stock	-	55	-	-
Convertible debentures	13,980	-	13,981	-
Dilutive potential common shares	21,660	2,593	21,361	-
Denominator for diluted net income (loss) per common share - adjusted weighted-average shares	176,218	149,540	174,080	146,428
Basic net income (loss) per common share	$ 1.34	$ 0.54	$ 2.60	$ (0.33)
Diluted net income (loss) per common share	$ 1.21	$ 0.53	$ 2.36	$ (0.33)

</TABLE>

On July 19, 2000, the Company announced a 2-for-1 stock split to be effected as a stock dividend of one share of common stock for each share of AMD common stock held on August 7, 2000. The payment date will be August 21, 2000.

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 a foundry facility in Iwate, Japan. The Company's share of FASL is 49.992 percent, and the investment is being accounted for under the equity method. At July 2, 2000, 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 $2,065,000. The following are the significant FASL related-party transactions and balances:

<TABLE>
<CAPTION>

(Thousands)	Quarter Ended July 2, 2000	Quarter Ended June 27, 1999	Six Months Ended July 2, 2000	Six Months Ended June 27, 1999
<S>	<C>	<C>	<C>	<C>
Royalty income	$ 7,110	$ 6,134	$ 13,653	$ 10,737
Purchases	78,420	61,618	154,658	118,776

</TABLE>

<TABLE>
<CAPTION>

(Thousands)	July 2, 2000	December 26, 1999
<S>	<C>	<C>
Royalty receivable	$ 6,709	$ 6,601
Accounts payable	57,354	35,701

</TABLE>

The following is condensed unaudited financial data of FASL:

(Thousands)	Quarter Ended July 2, 2000	Quarter Ended June 27, 1999	Six Months Ended July 2, 2000	Six Months Ended June 27, 1999
Net sales	$156,587	$118,398	$302,029	$215,670
Gross profit	2,485	24,836	3,298	18,670
Operating income	1,806	24,310	1,677	17,443
Net income	1,092	14,034	845	9,880

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 to adjustments resulting from the related party relationships between FASL and the Company which are reflected on the Company's condensed consolidated statements of operations.

5. Segment Reporting

AMD operates in three reportable segments: the Core Products segment, the Communications Group segment and the Other segment. AMD revised its segments in the first quarter of fiscal 2000 to reflect the sale of its former programmable logic devices subsidiary, Vantis, and a change in senior management. Prior period segment information has been restated. The Core Products segment includes microprocessors, core logic products, embedded processors, Flash memory devices, and Erasable Programmable Read-Only Memory (EPROM) devices. Communications Group products include telecommunication products and networking products. As a result of AMD's sale of its Communications Products Division on August 4, 2000, AMD is reevaluating its reporting structure. The Other segment includes sales from Vantis and fees for services provided to Vantis subsequent to its sale.

(Thousands)	Quarter Ended July 2, 2000	Quarter Ended June 27, 1999	Six Months Ended July 2, 2000	Six Months Ended June 27, 1999
Net sales:				
Core Products segment				
External Customers	$1,028,965	$ 483,155	$1,999,971	$1,004,254
Intersegment sales	-	15,450	-	32,626
	1,028,965	498,605	1,999,971	1,036,880
Communications Group segment external customers	117,300	69,946	218,459	133,285
Other segment external customers	24,172	42,006	44,036	89,163
Elimination of intersegment sales	-	(15,450)	-	(32,626)
Total Net sales	$1,170,437	$ 595,107	$2,262,466	$1,226,702
Segment operating income (loss):				
Core Products segment	$ 208,894	$(176,460)	$ 363,467	$ (303,546)
Communications Group segment	37,078	1,190	57,940	798
Other Segment	4,225	2,728	9,459	9,096
Total operating income (loss)	250,197	(172,542)	430,866	(293,652)
Interest income and other, net	19,935	7,252	41,063	18,020
Gain on sale of Vantis	-	432,059	-	432,059
Interest expense	(11,244)	(18,087)	(22,723)	(38,850)
Provision for income taxes	(51,778)	(172,823)	(51,778)	(167,350)
Equity in net income (loss) of FASL	32	4,037	(937)	1,302
Net income (loss)	$ 207,142	$ 79,896	$ 396,491	$ (48,471)

6. Comprehensive Income (Loss)

Under Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," unrealized gains or losses on the Company's available-for-sale securities and foreign currency translation adjustments are included in other comprehensive income (loss).

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

(Thousands)	Quarter Ended July 2, 2000	Quarter Ended June 27, 1999	Six Months Ended July 2, 2000	Six Months Ended June 27, 1999
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$ 207,142	$ 79,896	$ 396,491	$ (48,471)
Foreign currency translation adjustments	(7,394)	(19,679)	(32,763)	(29,990)
Unrealized gains on securities, net of tax:				
Unrealized gains on investments arising during the period	54	6,244	2,564	7,869
Less: Reclassification adjustment for gains included in earnings	-	-	-	(3,453)
Other comprehensive loss	(7,340)	(13,435)	(30,199)	(25,574)
Comprehensive income (loss)	$ 199,802	$ 66,461	$ 366,292	$ (74,045)

</TABLE>

The components of accumulated other comprehensive loss are as follows:

<TABLE>
<CAPTION>

(Thousands)	July 2, 2000	December 26, 1999
<S>	<C>	<C>
Unrealized gain on investments, net of tax	$ 16,842	$ 14,278
Cumulative translation adjustments	(64,455)	(31,692)
	$ (47,613)	$ (17,414)

</TABLE>

The components of accumulated other comprehensive loss are as follows:

7. Sale of the Communication Products Division

On May 21, 2000, the Company entered into definitive agreements with Francisco Partners, L.P., a private equity investment firm, providing for a recapitalization of the Communication Products Division (CPD), a portion of the Communications Group that produces telecommunication products. On August 4, 2000, the Company completed the sale of 90 percent of the recapitalized CPD for approximately $375 million in cash. The Company has retained a 10 percent ownership interest in the recapitalized CPD and also has a warrant to acquire approximately an additional 10 percent. The new entity will do business under the name of Legerity, Inc. As part of the transaction, the Company negotiated various service contracts with Francisco Partners to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

8. Restructuring and Other Special Charges

Restructuring and other special charges were zero in the first six months of 2000 and $38 million during the year ended December 26, 1999. These charges were the result of the Company's efforts to better align its cost structure with expected revenue growth rates.

The charges against accruals for restructuring and other special charges through the quarter ended July 2, 2000 are as follows:

<TABLE>
<CAPTION>

(Thousands)	Severance and Employee Benefits	Facilities	Equipment	Equipment Disposal Costs	Discontinued System Projects	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Q1 99 charges	$ 779	$ -	$ 8,148	$ -	$ 6,089	$ 15,016
Non-cash charges	-	-	(8,148)	-	(6,089)	(14,237)

Accruals at March 28, 1999	779	-	-	-	-	779
Q2 99 charges	2,245	968	10,801	3,500	-	17,514
Cash charges	(1,360)	-	-	-	-	(1,360)
Non-cash charges	-	-	(10,801)	-	-	(10,801)
Accruals at June 27, 1999	1,664	968	-	3,500	-	6,132
Cash charges	(1,664)	(35)	-	(1,067)	-	(2,766)
Accruals at September 26, 1999	-	933	-	2,433	-	3,366
Q4 99 charges	-	-	4,820	880	-	5,700
Cash charges	-	(21)	-	(870)	-	(891)
Non-cash charges	-	-	(4,820)	-	-	(4,820)
Accruals at December 26, 1999	-	912	-	2,443	-	3,355
Cash charges	-	(307)	-	(106)	-	(413)
Accruals at April 2, 1999	-	605	-	2,337	-	2,942
Cash charges	-	-	-	(2,337)	-	(2,337)
Accruals at July 2, 2000	$ -	$ 605	$ -	$ -	$ -	$ 605

</TABLE>

The Company anticipates that the remaining accruals for sales office facilities will be utilized over the period through lease termination in the second quarter of 2002. The remaining accruals for the disposal costs for equipment that has been taken out of service were fully discharged in the second quarter of 2000.

9. Debt

On July 6, 2000, the Company announced a cash tender offer and consent solicitation for the outstanding $400 million aggregate principal amount of the 11% Senior Secured Notes due 2003 (the Senior Secured Notes). On July 19, 2000, the consent solicitation period expired and the Company announced that it had obtained consents and tenders from registered holders of the Senior Secured Notes representing more than 85 percent of the principal amount. The tender offer expired on August 2, 2000, and approximately $356 million aggregate principal amounts had been tendered. In the third quarter of 2000, the Company will incur a one time extraordinary cost of approximately $36 million in connection with retirement of the debt.

10. Contingencies

Ellis Investment Co., Ltd., et al v. AMD, et al. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc., et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. The class action complaints allege various violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Most of the complaints purportedly were filed on behalf of all persons, other than the defendants, who purchased or otherwise acquired common stock of AMD during the period from October 6, 1998 to March 8, 1999. Two of the complaints allege a class period from July 13, 1998 to March 9, 1999. All of the complaints allege that materially misleading statements and/or material omissions were made by AMD and certain individual officers of AMD concerning design and production problems relating to high-speed versions of the AMD-K6-2 and AMD-K6-III microprocessors. Based upon information presently known to management, the Company does not believe that the ultimate resolution of these lawsuits will have a material adverse effect on the Company's financial condition.

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 our current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to increase customer and market acceptance of AMD Athlon microprocessors and AMD Duron microprocessors, our seventh generation microprocessors; our ability to maintain average selling prices for our seventh generation microprocessors; the effect of foreign currency hedging transactions; our new submicron integrated circuit manufacturing and design facility located in Dresden, Germany (Dresden Fab 30); our ability to ramp production in Dresden Fab 30; and the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. 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 Consolidated Financial Statements and related notes as of July 2, 2000, December 26, 1999, and December 27, 1998, and for the quarter ended July 2, 2000 and each of the three years in the period ended December 26, 1999.

RESULTS OF OPERATIONS

During the six months ended July 2, 2000, we participated in all three technology areas within the digital integrated circuit market - memory circuits, logic circuits and microprocessors - through our Core Products segment, our Communications Group segment, and our Other segment. The Core Products segment consists of two of our product groups - our Computation Products Group (CPG) and our Memory Group. CPG products include microprocessors, core logic products and embedded processors. Memory Group products include Flash memory devices and Erasable Programmable Read-Only Memory (EPROM) devices. Communications Group products include telecommunication products and networking products. As a result of the sale of our Communications Products Division on August 4, 2000, we are reevaluating our reporting structure. The Other segment includes sales from our former programmable logic devices subsidiary, Vantis, and service fees from Vantis subsequent to its sale.

On June 15, 1999, we completed the sale of Vantis to Lattice Semiconductor Corporation. As part of the sale of Vantis, we negotiated various service contracts with Lattice to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Vantis.

On May 21, 2000, we entered into definitive agreements with Francisco Partners, L.P., a private equity investment firm, providing for a recapitalization of the Communication Products Division (CPD), a portion of the Communications Group that produces telecommunication products. On August 4, 2000, we completed the sale of 90 percent of the recapitalized CPD for approximately $375 million in cash. We have retained a 10 percent ownership interest in the recapitalized CPD and also have a warrant to acquire approximately an additional 10 percent. The new entity will do business under the name of Legerity, Inc. As part of the transaction, we negotiated various service contracts with Francisco Partners to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

On July 6, 2000, we announced a cash tender offer and consent solicitation for the outstanding $400 million aggregate principal amount of our 11% Senior Secured Notes due 2003 (the Senior Secured Notes). On July 19, 2000, the consent solicitation period expired and we announced that we had obtained consents and tenders from registered holders of the Senior Secured Notes representing more than 85 percent of the principal amount. The tender offer expired on August 2, 2000, and approximately $356 million aggregate principal amounts had been tendered. In the third quarter of 2000, we will incur a one time extraordinary cost of approximately $36 million in connection with the retirement of the debt.

We use a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended July 2, 2000 and June 27, 1999 each included 13 weeks, and the quarter ended April 2, 2000 included 14 weeks.

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

<TABLE>
<CAPTION>

	Quarter Ended			Six Months Ended	
(Millions)	July 2, 2000	April 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Core Products segment:					
CPG	$ 667	$ 644	$ 317	$1,311	$ 712
Memory Group	362	327	166	689	292
Communications Group segment	117	101	70	218	133
Other segment	24	20	42	44	89
	$1,170	$1,092	$ 595	$2,262	$1,226

</TABLE>

Net Sales Comparison of Quarters Ended July 2, 2000 and April 2, 2000

Net sales of $1,170 million for the second quarter of 2000 increased by seven percent compared to net sales of $1,092 million for the first quarter of 2000.

CPG net sales of $667 million increased four percent in the second quarter of 2000 compared to the first quarter of 2000. The increase in net sales was primarily due to higher unit sales of our seventh generation microprocessors, partially offset by lower unit sales of AMD-K6(R) microprocessors. In June 2000, we introduced and began shipping the AMD Duron(TM) microprocessor, a derivative of the AMD Athlon(TM) microprocessor designed to provide a solution for value conscious PC buyers. Overall CPG sales growth in 2000 is dependent upon a successful production ramp in Dresden Fab 30, availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of our seventh generation microprocessors, as to which we cannot give any assurance.

Memory Group net sales of $362 million increased 11 percent in the second quarter of 2000 compared to the first quarter of 2000 primarily as a result of continued strong demand for Flash memory devices. Although demand for Flash memory devices has remained strong, achieving further growth in net sales of Flash memory devices will depend upon our ability to execute our plans to increase our Flash memory manufacturing capacity, and continuing market acceptance of our flash memory products as to which we cannot give any assurance.

Communications Group net sales amounted to $117 million, of which $63 million related to CPD, our Communications Products Division that was sold on August 4, 2000. The net sales increased 16 percent in the second quarter of 2000 compared to the first quarter of 2000 primarily due to increased net sales of telecommunications line-card circuits, Asymmetric Digital Subscriber Line (ADSL) chips, and devices for physical layer Ethernet. Therefore, the second quarter of 2000 will be the last full quarter to report sales from CPD.

In the Other segment, we received service fees of $24 million from Lattice in the second quarter of 2000 compared to $20 million in the first quarter of 2000.

Net Sales Comparison of Quarters Ended July 2, 2000 and June 27, 1999

Net sales of $1,170 million for the second quarter of 2000 increased by 97 percent compared to net sales of $595 million for the second quarter of 1999. Excluding net sales from the Other segment, net sales for the second quarter of 2000 increased 107 percent compared to the second quarter of 1999.

CPG net sales of $667 million increased 110 percent in the second quarter of 2000 compared to the same quarter of 1999 primarily due to increased net sales of our seventh generation microprocessors. Although unit sales of AMD-K6 microprocessors increased, net sales decreased due to declines in average selling prices which were caused by aggressive Intel pricing.

Memory Group net sales of $362 million increased by 118 percent in the second quarter of 2000 compared to the second quarter of 1999 as a result of strong growth in demand for Flash memory devices. This increase was slightly offset by lower net sales of EPROMs.

Communications Group net sales of $117 million increased 68 percent in the

second quarter of 2000 compared to the second quarter of 1999 primarily due to increased net sales of telecommunications line-card circuits, ADSL chips, and devices for physical layer Ethernet.

In the Other segment, we received service fees of $24 million from Lattice in the second quarter of 2000. Net sales from our former Vantis subsidiary in the second quarter of 1999 were $40 million. Due to the sale of Vantis on June 15, 1999, we did not record any sales for Vantis in the second quarter of 2000.

Net Sales Comparison of Six months Ended July 2, 2000 and June 27, 1999

Net Sales of $2,262 million for the first half of 2000 increased by 85 percent compared to net sales of $1,226 million for the first half of 1999. Excluding net sales from the Other segment, net sales for the first half of 2000 increased 95 percent compared to the first half of 1999.

CPG net sales of $1,311 million increased by 84 percent in the first half of 2000 compared to the first half of 1999 primarily due to increased net sales from our seventh generation microprocessors. This increase was partially offset by decreased net sales of AMD-K6 microprocessors. Although unit sales of AMD-K6 microprocessors increased, net sales decreased due to declines in average selling prices which were caused by aggressive Intel pricing.

Memory Group net sales of $689 million increased by 136 percent in the first half of 2000 compared to the first half of 1999 as a result of strong growth in demand for Flash memory devices. This increase was slightly offset by lower net sales of EPROMs.

Communications Group net sales of $218 million increased 64 percent in the first half of 2000 compared to the first half of 1999 primarily due to increased net sales of telecommunications line-card circuits, ADSL chips, and devices for physical layer Ethernet.

In the Other segment, we received service fees of $44 million from Lattice in the first half of 2000. Net sales from our former Vantis subsidiary in the first half of 1999 were $87 million. Due to the sale of Vantis on June 15, 1999, we did not record any sales for Vantis in the first half of 2000.

Comparison of Expenses, Gross Margin Percentage and Interest

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

<TABLE>
<CAPTION>

	Quarter Ended			Six Months Ended	
	July 2, 2000	April 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
<S>	<C>	<C>	<C>	<C>	<C>
(Millions except for gross margin percentage)					
Cost of sales	$613	$606	$458	$1,218	$909
Gross Margin percentage	48%	45%	23%	46%	26%
Research and development	$156	$161	$167	$ 317	$327
Marketing; general and administrative	152	144	125	296	252
Restructuring and other special charges	-	-	18	-	33
Gain on sale of Vantis	-	-	432	-	432
Interest income and other, net	20	21	7	41	18
Interest expense	11	11	18	23	39

</TABLE>

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 microprocessors. As a result, our gross margin percentage is significantly affected by fluctuations in product sales. Gross margin percentage growth 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 48 percent in the first quarter of 2000 increased from 45 percent in the first quarter of 2000 and 23 percent in the second quarter of 1999. Gross margin percentage of 46 percent in the first half of 2000 increased from 26 percent in the first half of 1999. The increases were primarily due to higher net sales of microprocessors and Flash memory devices, which more than offset the increases in fixed costs. Fixed costs will continue to increase as we ramp production in Dresden Fab 30. As described in the paragraph immediately below, Dresden Fab 30 went into production in the second quarter of 2000, which contributed to, and will continue to contribute to, increases in cost of sales.

Research and development expenses of $156 million in the second quarter of 2000 decreased three percent compared to the immediate-prior quarter. Research and

development expenses in the second quarter of 2000 decreased seven percent compared to the same quarter in 1999. Research and development expenses of $317 million in the first half of 2000 decreased three percent compared to the first half of 1999. The decreases were primarily a result of shifting a portion of Dresden Fab 30 expenses from research and development to cost of sales in the second quarter of 2000 as Dresden Fab 30 began shipping products. Offsetting Dresden Fab 30 expenses are the recognition of deferred credits on foreign capital grants and interest subsidies that we 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. The decreases in research and development expenses were also due to the absence of Vantis expenses in the second quarter of 2000, savings in our Submicron Development Center (SDC) as a result of restructuring activities in 1999 and a decrease in expenses related to our technology development alliance with Motorola.

Marketing, general and administrative expenses of $152 million in the second quarter of 2000 increased six percent compared to the first quarter of 2000 as a result of increased advertising and marketing expenses related to the AMD Athlon and AMD Duron microprocessors. Marketing, general and administrative expenses in the second quarter of 2000 increased twenty-two percent compared to the second quarter of 1999. Marketing, general and administrative expenses of $296 million in the first half of 2000 increased 17 percent compared to the first half of 1999. The increases were due to increased advertising and marketing for the AMD Athlon microprocessor and higher expenses associated with employee bonuses and profit sharing.

In the first quarter of 1999, we initiated an internal review to better align our cost structure with expected revenue growth rates. Based upon this review, we recorded restructuring and other special charges of $38 million during 1999, $15 million of which was recorded in the first quarter of 1999, $17 million of which was recorded in the second quarter of 1999 and $6 million of which was recorded in the fourth quarter of 1999.

The $38 million in restructuring and other special charges consisted of the following:

- $25 million for the closure of a submicron development laboratory facility in the SDC, the write-off of certain equipment in the SDC and the write-off of equipment taken out of service in Fab 25 related to the 0.35-micron wafer fabrication process;
- $6 million for the write-off of capitalized costs related to discontinued system projects;
- $3 million for the disposal of equipment taken out of service in the SDC;
- $3 million for severance and employee benefits for 178 terminated employees in the Information Technology department, the SDC and certain sales offices; and
- $1 million for costs of leases for vacated and unused sales offices.

As of July 2, 2000, the total cash outlay for restructuring and other special charges was approximately $8 million. We anticipate that accruals of $600,000 for sales office facilities will be utilized over the period through lease terminations in the second quarter of 2002. The accruals for the disposal costs for equipment that has been taken out of sevice were fully discharged during the second quarter of 2000.

The remaining $30 million of restructuring and other special charges consisted of non-cash charges primarily for asset write-offs. As a result of the restructuring and other special charges, we expect that depreciation otherwise incurred will be reduced by $30 million over the next several years.

Interest income and other, net of $20 million in the second quarter of 2000 was relatively flat compared to the first quarter of 2000 and increased 175 percent compared to the same quarter of 1999 primarily due to higher average cash balances and an insurance settlement from environmental litigation. Interest income and other, net of $41 million in the first half of 2000 increased $23 million compared to the first half of 1999. The increase was primarily due to gains of $9 million on the sale of real property, an insurance settlement from environmental litigation, and higher average cash balances.

Interest expense of $11 million in the second quarter of 2000 was flat compared to the first quarter of 2000. Interest expense in the second quarter of 2000 decreased 38 percent as compared to the same quarter in 1999 primarily due to lower average debt balances resulting from our repayment in July 1999 of the outstanding principal balance on our $250 million four-year secured term loan. Interest expense of $23 million in the first half of 2000 decreased 42 percent compared to the first half of 1999. This decrease was primarily due to the lower average debt balances resulting from our repayment in July 1999 of the outstanding principal balance on our $250 million four-year secured term loan. Beginning in the third quarter of 2000, interest expense will be reduced by the retirement of $356 million of our Senior Secured Notes. In addition, we will no

longer capitalize interest relating to Dresden Fab 30 since Dresden Fab 30 became a production facility in the second quarter of 2000 which will offset the reduction in interest on the Senior Secured Notes.

Income Tax

We recorded a $52 million income tax provision in the second quarter of 2000 and a $173 million income tax provision in the second quarter of 1999. The tax provision recorded in the second quarter of 1999 was attributable to the gain on the sale of Vantis. The effective tax rates for the three and six months ended July 2, 2000 (20 percent and 12 percent) reflect the realization of previously unbenefitted deferred tax assets, and are higher than the equivalent tax rates on income excluding gain on the sale of Vantis in 1999 (0 percent) due to the projected 2000 income amount exceeding the amount able to be offset through the realization of such deferred tax assets.

Other Items

International sales as a percent of net sales were 61 percent in the second quarter of 2000 compared to 59 percent in the first quarter of 2000 and 58 percent in the second quarter of 1999. International sales were 60 percent of net sales in the first half of 2000 and 58 percent in the first half of 1999. During the second quarter of 2000, approximately six percent of our net sales were denominated in foreign currencies. We do not have sales denominated in local currencies in countries that have highly inflationary economies, as defined by generally accepted accounting principles. The impact on our operating results

from changes in foreign currency rates individually and in the aggregate has not been material.

Comparison of Segment Income (Loss)

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

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

<TABLE>
<CAPTION>

	Quarter Ended			Six Months Ended	
(Millions)	July 2, 2000	April 2, 2000	June 27, 1999	July 2, 2000	June 27, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Core Products segment	$ 209	$ 155	$ (177)	$ 364	$ (304)
Communications Group segment	37	21	1	58	1
Other segment	4	5	3	9	9
Total	$ 250	$ 181	$ (173)	$ 431	$ (294)

</TABLE>

The Core Products' operating income in the second quarter of 2000 increased 38 percent compared to the first quarter of 2000. The increase was mainly due to an increase in net sales of AMD Athlon microprocessors and Flash memory devices which more than offset higher fixed costs. The Core Products segment had an operating income of $250 million in the second quarter of 2000 and operating income of $431 million in the first half of 2000 compared to a loss of $173 million in the same quarter of 1999 and a loss of $294 million in the first half of 1999 mainly due to higher net sales of our seventh generation microprocessors and Flash memory devices in 2000 and restructuring expenses in the first quarter of 1999. The Communications Group's operating income increased in the second quarter of 2000 compared to the first quarter of 2000 and the same quarter of 1999, and in the second half of 2000 to the second half of 1999 mainly due to an increase in net sales of our telecommunications line-card circuits, ADSL chips, and devices for physical layer Ethernet solutions. As a result of the sale of our Communications Products Division on August 4, 2000, we are reevaluating our reporting structure.

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FINANCIAL CONDITION

Net cash provided by (used in) operating activities was $668 million in the first half of 2000 compared to ($18 million) in the same period of 1999. Net operating cash flows in the first half of 2000 increased $686 million over the same period in 1999 primarily due to an increase in net income of $445 million and the following changes in noncash adjustments to net income:

. a nonrecurring $432 million reduction to net income from the gain on the sale

of Vantis in 1999,
. an increase of $20 million in depreciation and amortization,
. a $142 million increase in customer deposits under long-term purchase agreements, and
. $13 million more of an increase in income tax payable.

These were partially offset by:

. $132 million less of a decrease in deferred income tax assets,
. a nonrecurring $25 million addition to net income from restructuring charges in 1999,
. $173 million more of an increase in receivables, inventories, prepaid expenses and other assets, and
. $47 million more of a decrease in payables and accrued liabilities.

Net cash provided by (used in) investing activities was ($346 million) during the first half of 2000 compared to $4 million during the first half of 1999. The increase in cash used in investing activities of $350 million was primarily due to the nonrecurring $454 million we received in 1999 from the sale of Vantis, which was partially offset by a $57 million decrease in capital expenditures.

Net cash provided by (used in) financing activities was $90 million during the first half of 2000 compared to ($116 million) in the same period of 1999. This increase of $206 million was primarily the result of a $137 million decrease in the payment of debt as well as a $68 million increase in proceeds from issuance of stock in connection with the exercise of employee stock options.

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

under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds. As of July 2, 2000, no funds were drawn under the Loan Agreement. In addition, we had available unsecured, uncommitted bank lines of credit in the amount of $71 million, none of which was outstanding.

We plan to make capital investments of approximately $800 million during 2000. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

AMD Saxony, an indirect wholly owned German subsidiary of AMD, has constructed a fab and is installing equipment in Dresden Fab 30. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 will be $2.2 billion when fully equipped. In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

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

The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested $424 million to date in the form of subordinated loans to and equity in AMD Saxony. In addition to support from AMD, the consortium of banks referred to above has made available $796 million in loans to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had $253 million of such loans outstanding as of July 2, 2000.

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

. guarantees of the lesser of 65 percent of AMD Saxony bank debt or $796 million;
. capital investment grants and allowances totaling $287 million; and
. interest subsidies totaling $148 million.

Of these amounts, AMD Saxony had received $284 million in capital investment grants and allowances and $22 million in interest subsidies as of July 2, 2000. The grants and subsidies are subject to conditions, including meeting specified

levels of employment in December 2001 and maintaining those levels until June 2007. Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received as well as the repayment of all or a portion of amounts received to date. As of July 2, 2000, we were in compliance with all of the conditions of the grants and subsidies.

The Dresden Loan Agreements 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;
- guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreements up to a maximum of $105 million until Dresden Fab 30 has been completed;
- fund certain contingent obligations including obligations to fund project cost overruns, if any; and
- make funds available to AMD Saxony, after completion of Dresden Fab 30, up to approximately $70 million if AMD Saxony does not meet its fixed charge coverage ratio covenant.

Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth above are subject to change based on applicable conversion rates. We used the exchange rate at the end of the second quarter of 2000, which was approximately 2.07 deutsche marks to 1 U.S. dollar, to value the amounts denominated in deutsche marks.

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

- material variances from the approved schedule and budget;
- 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 is not cured by us, would result in a cross-default under the Dresden Loan Agreements and the Loan Agreement. Under certain circumstances, cross-defaults result under our Convertible Subordinated Notes due 2005 and 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 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 in 1993, is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL II, in Aizu-Wakamatsu, Japan. The facility, including equipment, is expected to cost approximately $1 billion when fully equipped. As of July 2, 2000, approximately $568 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 JV3, is expected to cost approximately $1.5 billion when fully equipped. Capital expenditures for FASL II and JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL.

FASL capital expenditures in 2000 will continue to be funded by cash generated from FASL operations and local borrowings by FASL. However, to the extent that FASL is unable to secure the necessary funds for FASL II or JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of July 2, 2000, we had no loan guarantees outstanding with respect to these loans. These planned costs are denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of the second quarter of 2000, the exchange rate was

approximately 105.41 yen to 1 U.S. dollar, which we used to calculate the amounts denominated in yen.

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

On August 4, 2000, we received approximately $375 million for the sale of 90 percent of the recapitalized CPD. The proceeds of the sale were subsequently used to redeem approximately $356 million aggregate principal amount of the Senior Secured Notes.

RISK FACTORS

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

Microprocessor Products

Future Dependence on AMD Seventh-Generation Microprocessors. We will need 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 2000 and beyond, and to benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors. We commenced initial shipments of AMD Athlon microprocessors in June 1999 and began volume shipments in the second half of 1999. We introduced and began shipments of the AMD Duron processor, a derivative of the AMD Athlon processor designed to provide an optimized solution for value conscious business and home users, in June 2000. Our production and sales plans for AMD Athlon and AMD Duron microprocessors are subject to numerous risks and uncertainties, including:

- our ability to produce seventh-generation microprocessors in the volume and with the feature set required by customers on a timely basis;
- our ability to design, manufacture and deliver processor modules through subcontractors;
- the availability and acceptance of motherboards and chipsets designed for our seventh-generation microprocessors;
- market acceptance of our seventh-generation microprocessors;
- our ability to maintain average selling prices of seventh-generation microprocessors despite aggressive Intel pricing, including market rebates and product bundling of microprocessors, motherboards, chipsets and combination thereof;
- the successful development and installation of 0.18-micron process technology and copper interconnect technology;
- our ability to ramp production in Dresden Fab 30;
- the pace at which we are able to ramp production in Dresden Fab 30 on 0.18-micron copper interconnect process technology;
- 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;
- our ability to expand our chipset and system design capabilities;
- our ability to successfully offer new higher performance versions of the AMD Athlon microprocessor; and
- the availability to our customers of cost and performance competitive Static Random Access Memories (SRAMs) (including Tag chips) if Intel controls the market for SRAM production capacity through its relationships with SRAM manufacturers.

If we fail to achieve market acceptance of our seventh-generation microprocessors, if our subcontractors are unable to provide the processor modules we require or if chipsets and motherboards which are compatible with our seventh-generation microprocessors are not made available, our business will be materially and adversely affected.

Investment in and Dependence on K86(TM) AMD Microprocessor Products. Our microprocessor product revenues have significantly impacted, and will continue in 2000 and 2001 to significantly impact, 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 cash balances.

Our ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon success of the AMD Athlon and AMD Duron microprocessors, which are our seventh-generation Microsoft Windows compatible microprocessors, the AMD-K6 microprocessors with 3DNow! technology and future generations of K86 microprocessors. The microprocessor market is

characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new process technologies at a faster pace than before and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds. In the past, we have experienced significant difficulty in achieving microprocessor yield and volume plans. Such difficulties have in the past, and may in the future, adversely affect our results of operations and liquidity. If we fail to offer higher performance microprocessors in significant volume on a timely basis in the future, our business could be materially and adversely affected. We may not achieve the production ramp necessary to meet our customers' volume requirements for higher performance microprocessors. It is also possible that we may not increase our microprocessor revenues enough to achieve sustained profitability.

To sell the volume of AMD Athlon, AMD Duron and AMD-K6 microprocessors we currently plan to make in 2000 and 2001, 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 customer, 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 AMD Athlon, AMD Duron and AMD-K6 microprocessors are subject to other risks and uncertainties, including:

- market acceptance of AMD Athlon and AMD Duron microprocessors, including the timely availability of processor modules as well as motherboards and chipsets designed for these processors;
- whether we can successfully fabricate higher performance microprocessors in planned volume and speed mixes;

- the effects of Intel's new product introductions, marketing strategies and pricing;
- the continued market acceptance for AMD-K6 microprocessors and systems based on them;
- 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;
- adverse market conditions in the personal computer (PC) market and consequent diminished demand for our microprocessors; and
- unexpected interruptions in our manufacturing operations.

Because Intel has dominated the microprocessor market for many years and has brand strength, we have in the past priced AMD-K6 microprocessors below the published price of Intel processors offering comparable performance. Thus, Intel's processor marketing and pricing can impact and have impacted the average selling prices of our microprocessors, and consequently can impact and have impacted our overall margins. Our business could be materially and adversely affected if we are are unable to:

- achieve the product performance improvements necessary to meet customer needs;
- continue to achieve market acceptance of our microprocessors and increase market share;
- maintain revenues of AMD-K6 microprocessors; and
- successfully ramp production and sales of AMD Athlon and AMD Duron microprocessors.

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 vary prices on its microprocessors and other products at will and thereby affect the margins and profitability of its competitors due to its financial strength and dominant position. Intel exerts substantial influence over PC manufacturers and their channels of distribution through the Intel Inside advertising rebate program and other marketing programs. Intel invests billions of dollars in, and as a result exerts influence over, many other technology companies. We expect Intel to continue to invest heavily in research and development, new manufacturing facilities and other technology companies, and to remain dominant:

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

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

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

As Intel expanded its dominance over the PC system platform, many PC manufacturers reduced their system development expenditures and now purchase microprocessors together with chipsets or in assembled motherboards. PC OEMs are increasingly dependent on Intel, less innovative on their own and, to a large extent, distributors of Intel technology. In marketing our microprocessors to these OEMs and dealers, we depend on companies other than Intel for the design and manufacture of core-logic chipsets, 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 closer relationships with third-party designers and manufacturers of chipsets, motherboards, 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 expect that, as Intel introduces future generations of microprocessors, chipsets and motherboards, the design of chipsets, memory and other semiconductor devices, and higher level board products which support Intel microprocessors, will become increasingly dependent on the Intel microprocessor design and may become incompatible with non-Intel processor-based PC systems.

Intel's Pentium(R) III and Celeron(TM) microprocessors are sold only in form factors that are not physically or interface protocol compatible with "Socket 7" motherboards currently used with AMD-K6 microprocessors. Thus, Intel no longer supports the Socket 7 infrastructure as it did when it was selling its fifth-generation Pentium processors. Because AMD-K6 microprocessors are designed to be Socket 7 compatible, and will not work with motherboards designed for Pentium II, III and Celeron processors, we intend to continue to work with third-party designers and manufacturers of motherboards, chipsets and other products to ensure the continued availability of Socket 7 infrastructure support for AMD-K6 microprocessors, including support for enhancements and features

we add to our microprocessors. Socket 7 infrastructure support for AMD-K6 microprocessors may not endure over time as Intel moves the market to its infrastructure choices.

We do not currently plan to develop microprocessors that are bus interface protocol compatible with the Pentium III 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 microprocessor is not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for AMD Athlon 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 Intel's microprocessors and our microprocessors, or that alternative platforms are available which are competitive with those used with Intel processors.

A failure for any reason of the designers and producers of motherboards, chipsets, processor modules and other system components to support our K86 microprocessor offerings would have a material adverse effect on 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. 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 K86 microprocessors. If we fail to maintain the logo license agreements with Microsoft, we may lose our ability to label our K86 microprocessors with the Microsoft Windows logo. This could impair our ability to market the products and could have a material adverse effect on our business.

Fluctuations in 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.

Financing Requirements

We will have significant capital requirements over the next 12 months. To the extent that we cannot generate the required capital internally or obtain such capital externally, our business could be materially 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 $800 million in 2000 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 terms of the Dresden Loan Agreements required us to make subordinated loans to, or equity investments in, AMD Saxony totaling $100 million in 1999. 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 $424 million as of July 2, 2000 in the form of subordinated loans and equity in AMD Saxony. If 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 Dresden Fab 30 and we will be in default under the Dresden Loan Agreement and the Loan Agreement, which would permit acceleration of indebtedness, which would have a material adverse effect on our business.

In 1999, the building construction of FASL II was completed, equipment was installed and production was initiated. We expect the facility, including equipment, to cost approximately $1 billion when fully equipped. 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 JV3, is expected to cost approximately $1.5 billion when fully equipped. Capital expenditures for FASL II and JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL. If FASL is unable to secure the necessary funds for FASL II or JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL.

If we are unable to obtain the funds necessary to fulfill our obligations to AMD Saxony or 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. 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. In addition, in 1999, the building construction of FASL II, a second Flash memory device manufacturing facility, was completed, equipment was installed and production was initiated. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. We have also built a new test and assembly facility in Suzhou, China. We are basing our strategy of increasing our manufacturing capacity on industry projections for future growth. If these industry projections are inaccurate, or if demand for our products does not increase

consistent with our plans and expectations, we will likely underutilize our manufacturing facilities and our business could be materially and adversely affected.

In contrast to the above, there also have been situations in the past in which our manufacturing facilities were inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar

arrangements with others, could have a material adverse effect on our business. At this time, the risk is that we will have insufficient capacity to meet demand for Flash memory products and underutilized capacity relative to demand for our microprocessor offerings.

Process Technology. In order to remain competitive, we must make continuing substantial investments in improving our process technologies. In particular, we have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these investments might not be fully recovered if we fail to continue to gain market acceptance or if the market for our Flash memory products should significantly deteriorate. Likewise, we are making a substantial investment in Dresden Fab 30. The business plan for Dresden Fab 30 calls for the successful development and installation of 0.18-micron process technology and copper interconnect technology in order to manufacture AMD Athlon microprocessors in Dresden Fab 30. 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 technology that is required for AMD Athlon microprocessors and subsequent generations of microprocessors. 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 AMD Athlon 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. For example, our results in the past have been negatively affected by disappointing AMD-K6 microprocessor yields. The design and manufacture of integrated circuits is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include equipment performance and process controls, as well as other risks, all of which can affect yields.

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

unacceptable to customers or made in an untimely manner. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

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

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

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

Flash Memory Products

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

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

As a result, the demand for Flash memory devices currently exceeds the available supply. In order to meet this demand, we must increase our production of Flash memory devices through FASL, FASL II and JV3 and through foundry or similar arrangements with others. We cannot be certain that the demand for Flash memory products will remain at current or greater levels, or that we will have sufficient capacity to meet the demand for

Flash memory devices. Currently we are expanding production capacity of Flash memory devices through foundry arrangments. We can not be certain that we will be able to ramp production of Flash memory devices in foundries successfully in order to meet demand. Our inability to meet the demand for Flash memory devices could have a material adverse effect on our business.

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

Key Personnel

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

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

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

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;
- competitive pricing pressures;
- decreases in unit average selling prices of our products;

- production capacity levels and fluctuations in manufacturing yields, particularly in the early stages of production at new facilities, such as Dresden Fab 30;
- availability and cost of products from our suppliers;
- 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;
- 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

Debt Restrictions. The Loan Agreement contains significant covenants that limit our ability and our subsidiaries' ability to engage in various transactions and require satisfaction of specified financial performance criteria. In addition, the occurrence of certain events, including, among other things, failure to comply with the foregoing covenants, material inaccuracies of representations and warranties, certain defaults under or acceleration of other indebtedness and events of bankruptcy or insolvency, would in certain cases after notice and grace periods, constitute events of default permitting acceleration of indebtedness. The limitations imposed by the Loan Agreement are substantial, and failure to comply with such limitations could have a material adverse effect on our business.

In addition, the Dresden Loan Agreements substantially prohibit AMD Saxony from transferring assets to us, which will prevent us from using current or future assets of AMD Saxony other than to satisfy obligations of AMD Saxony.

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, prices normally decrease over time as production efficiency and competition increase, and as successive generations of products are developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of integrated circuits is based on:

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

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

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

materially and adversely affect us if there is an unexpected significant decline in the price of our products.

Intellectual Property Rights; Potential Litigation. It is possible that:

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

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

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. Our 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.

Year 2000. We have not experienced any material system failures, disruptions of operations or interruptions of our ability to process transactions, send invoices or engage in other normal business activities as a result of Year 2000 issues. In addition, we are not aware of any material problems resulting from Year 2000 issues with our products and services.

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 business plan envisions substantial cash outlays which may require external capital financing. It is possible that capital and/or long-term financing will be unavailable on terms favorable to us or in sufficient amounts to enable us to implement our current plan.

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 are assessing the potential impact to us that may result from the euro conversion. 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, as well as the period subsequent to the transition, as applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On March 22, 2000, we entered into an interest rate swap agreement to reduce interest expense of our 11% Senior Secured Notes ($400 million) due 2003. The swap converts

our 11% fixed rate notes into a floating rate instrument. The variable rate component of the swap will be fixed from inception through August 1, 2001. The notes are cancelable at the option of the counter-party (Bank of America) on August 1, 2001. After August 1, 2001, the swap will be marked-to-market to determine on-going effectiveness.

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 year ended December 26, 1999.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Ellis Investment Co., Ltd., et al v. AMD, et al. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc., et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. The class action complaints allege various violations of federal securities law, including violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Most of the complaints purportedly were filed on behalf of all persons, other than the defendants, who purchased or otherwise acquired common stock of AMD during the period from October 6, 1998 to March 8, 1999. Two of the complaints allege a class period from July 13, 1998 to March 9, 1999. All of the complaints allege that materially misleading statements and/or material omissions were made by AMD and certain individual officers of AMD concerning design and production problems relating to high-speed versions of the AMD-K6(R)-2 and AMD-K6-III microprocessors. Based upon information presently known to management, we do not believe that the ultimate resolution of these lawsuits will have a material adverse effect on our business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

AMD's annual meeting of stockholders was held on April 27, 2000. 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	115,865,626	9,618,078
Friedrich Baur	124,489,326	994,378
Charles M. Blalack	123,280,520	2,203,184
R. Gene Brown	123,290,730	2,192,974
Robert B. Palmer	124,314,725	1,168,979
Joe L. Roby	123,329,165	2,154,539
Hector de J. Ruiz	122,561,376	2,922,328
Leonard Silverman	124,518,947	964,757

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: 125,066,320 Against: 240,827 Abstain: 176,557

Proposal No. 3 The proposal to approve the amendment to the 1996 Stock Incentive Plan was approved.

For: 95,852,803 Against: 29,125,755 Abstain: 505,146

Proposal No. 4 The proposal to approve the 2000 Employee Stock Purchase Plan was approved.

For: 122,822,403 Against: 2,244,510 Abstain: 416,791

Proposal No. 5 The stockholder proposal to amend the Bylaws was defeated.

For: 15,897,704 Against: 61,974,429 Abstain: 1,613,982

No Vote: 45,997,589

The annual meeting of the stockholders was reconvened on May 25, 2000. The following are the results of the voting on the proposal submitted to the stockholders at the reconvened annual meeting.

Proposal No. 1 The proposal to restate the Certificate of Incorporation to increase the number of shares of Common Stock from 250,000,000 to 750,000,000 shares was approved.

For: 108,396,496 Against: 17,534,577 Abstain: 1,150,157

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

* 10.25(b) Amendment 2 to the Technology Development and License Agreement, entered into as of October 1, 1998 by AMD and its subsidiaries and Motorola, Inc. and its subsidiaries.

27.1 Financial Data Schedule

* Confidential treatment has been requested with respect to certain portions of this Exhibit.

(b) Reports on Form 8-K

1. A Current Report on Form 8-K dated March 30, 2000 reporting under Item 5 - Other Events was filed announcing that AMD will retain our Network Products Division.

2. A Current Report on Form 8-K dated April 5, 2000 reporting under Item 5 - Other Events was filed announcing expected sales in the first quarter.

3. A Current Report on Form 8-K dated April 12, 2000 reporting under Item 5 - Other Events was filed announcing our first quarter earnings.

4. A Current Report on Form 8-K dated May 21, 2000 reporting under Item 5 - Other Events was filed announcing the execution of definitive agreements with respect to the recapitalization of our Communications Products Division.

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 15, 2000

By: /s/ Francis P. Barton

Francis P. Barton
Senior Vice President,
Chief Financial Officer

Signing on behalf of the registrant and as the principal accounting officer

EXHIBIT 10.25(b)

AMENDMENT 2

This is an amendment of Appendix D and a second amendment of the Technology Development and License Agreement ("Agreement') entered into as of October 1, 1998 by and between Advanced Micro Devices, Inc. and its Subsidiaries ("AMD"), a Delaware Corporation, with principal offices located at One AMD Place, P.O. Box 3453, Sunnyvale, California 94088-3453, and Motorola, Inc. and its Subsidiaries ("Motorola"), a Delaware corporation, with principal offices located at 1303 East Algonquin Road, Schaumburg, Illinois 60196.

Replace Section 1.4 of Appendix D with the below new Section 1.4:

1.4 Approved Projects - The parties agree no Project will be considered in the Cost Equalization determination without prior approval of a Statement of Work by the Executive Board of Directors, except as described below for 1998. The parties agree any change to a Project plan scope or duration or budget variance over the course of a fiscal year in excess of 110% must be approved by the Executive Board of Directors.

Replace Section 1.5.2 of Appendix D with the below new Section 1.5.2:

1.5.2 For 1999 and subsequent years - Thirty days after the conclusion of each quarter, each party will provide a statement to the other stating the Cost Equalization determination for each Project then pending, including a summary breakdown of the cost elements.

Processing of device and product test structures or test vehicles, including equal quantities of transfer wafers for each party, are included in the cope of Project requirements and, as such, are intended to be included in the Statements of Work and are subject to Cost Equalization.

Except as set forth in the preceding paragraph with respect to transfer wafers, each party with bear its own costs in connection with technology transfer and installation into production facilities and such costs will not be subject to the Cost Equalization determination. Costs not subject to Cost Equalization include process documentation, all reasonable personnel expenses, including travel, for personnel assigned to assist in a process transfer, and other similar costs. In the event that one party (first party) requires more transfer wafers than the other (second party), the quantity of transfer wafers required by the first party in excess of that required by the second party will not be subject to Cost Equalization and the cost thereof shall be borne by the first party.

If either party requests the other party to process material either because it requires a quantity of transfer wafers in excess of that required by the other party or for a purpose beyond the scope of a Project such as for the transfer of a technology, verification of designs, additional processing for technology evaluation, or product qualification, the non-requesting party will make commercially reasonable efforts to comply with the request and will charge the requesting party a price not to exceed actual costs.

Pre-production, pilot production, risk starts, or other product specific processing are outside the scope of the Projects and are not to be included in the Statements of Work or included in the Cost Equalization determination. This type of processing by one party on behalf of the other party would be considered Foundry.

Each party will continue to calculate quarterly actual spending on a by project basis. Actual spending will be reviewed by Program Management.

The actual quarterly spending for each party will be compared to each party's spending budget for that quarter. If either party exceeds their respective quarterly spending budget, in total for all projects, the actual spending will be lowered to budget for determining an Adjusted Cost Equalization amount.

For 1999, the parties will compare the Cost Equalization statements. For 2000 and subsequent years, the parties will compare the Adjusted Cost Equalization amounts. The party with the smaller amount for the quarter will pay the other party fifty percent (50%) of the difference between the two parties' Cost Equalization amounts within forty-five (45) days after the end of the quarter.

If on a forward looking basis there are significant changes (greater than 10% on a yearly basis) in scope or party participation on a project basis, or it is believed that actual spending by either or both parties will exceed budget by greater than 10% for all projects for the calendar year, the Steering Committee may recommend to the Board of Directors revisions to each party's budgeted

project spending. Upon approval of changes by the board, these revised budget amounts will be used in determination of quarter Cost Equalization amounts.

Payment will be made by electronic funds transfer:
To AMD at
Bank of America, San Francisco
Bank Routing #: 121000358
Account #: 1233404900

To Motorola at
1st Nat'l Bank of Chicago
One 1st National Bank Plaza
Chicago, IL 60670
Bank Routing #: 071000013
Account #: 52-65673

Replace Section 1.6.2 of Appendix D with the below new Section 1.6.2:

1.6.2 Standardized costs - non-Process and non-Direct costs associated with Project related engineering development and support. These costs include, but are not limited to:

(a) Process, device, design, reliability, and test engineering, and related personnel labor and fringes, otherwise not comprehended in Process costs above, at a mutually agreed upon standard rate of *****. This rate will be reviewed annually and mutually agreed to by both parties through their respective compensation personnel. Any change

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

to this rate will be presented to the Executive Board of Directors for final approval and incorporated into the Statements of Work.

For budget cost reporting, each Project will be budgeted by individual name and/or number of individuals, and Project time applied by quarter.

For actual cost reporting, each Program Manager will provide an employee participation list quarterly, by individual name and Project time applied in weekly increments for that individual. Weekly increments may be subdivided to the nearest whole day or 0.2 weeks. The standard rate per quarter will be prorated by the number of Project weeks applied versus total weeks in the quarter.

(b) One party's personnel assigned to a Project, and the other party's assignees to that party's facility where office space is provided, will be assessed by that party at the standard rate of ***** prorated by the time applied to the Project by individual as outlined above for purposes of comprehending items such as comparable rent; facilities upkeep; phone; networking requirements; systems administration support; workstation hardware depreciation and maintenance; software amortization, expense, licenses, and maintenance; internal data processing charges; and general office supplies.

This rate will be reviewed annually and mutually agreed to by both parties' finance personnel. Any changes to this rate will be presented to the Executive Board of Directors for final approval and incorporated into the Statements of Work.

(c) Experiments, tests, and development in device lab, reliability lab, test lab or other facilities otherwise not comprehended in Process costs above will be budgeted at amounts mutually agreed to by the Program Managers, or the parties if the Project has only one Program Manager, in the Statements of Work. These costs will be assigned to the Projects at the budgeted amounts, or budgeted fixed amounts per project participant, in the quarter actually incurred for Cost Equalization determination.

(d) For individuals in this cost category, including one party's assignees to the other party's facility, the party owning the facility is responsible for the acquisition and cost of individual tool requirements. These costs include, but are not limited to, engineering workstations, software, licenses, and maintenance.

Replace Section 1.6.3 of Appendix D with the below new Section 1.6.3:

1.6.3 Direct Costs - actual costs incurred for budgeted activities of Projects that are not comprehended or otherwise covered in the two categories above. The costs include, but are not limited to:
(a) External processing, testing, consulting, or evaluation (actual or

budgeted amount);
(b) Photomask costs identified to the Project.

* Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of

April 26, 2000.

ADVANCED MICRO DEVICES, INC.	MOTOROLA, INC.
Signature: /s/ W.T. Siegle	Signature: /s/ Bill Walker
Name: W.T. Siegle	Name: Bill Walker

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