ADVANCED MICRO DEVICES INC
Form POS AM
March 10, 2004
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As filed with the Securities and Exchange Commission on March 10, 2004

Registration No. 333-84028

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE

AMENDMENT NO. 12

TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ADVANCED MICRO DEVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**One AMD Place**	**94-1692300**
(State or Other Jurisdiction of	**Sunnyvale, CA 94086**	**(I.R.S. Employer**
Incorporation or Organization)	**(408) 749-4000**	**Identification Number)**
	(Address, Including Zip Code, and Telephone Number,	

Including Area Code, of Registrant s Principal Executive Offices)

Harry Wolin, Esq.

Group Vice President

and General Counsel

One AMD Place

Sunnyvale, CA 94088

(408) 749-4000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy To:

Tad J. Freese, Esq.

Latham & Watkins

505 Montgomery Street, Suite 1900

San Francisco, California 94111

(415) 391-0600

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

$500,000,000

Advanced Micro Devices, Inc.

4.75% Convertible Senior Debentures Due 2022

In January 2002, we issued and sold $500,000,000 aggregate principal amount of our 4.75% Convertible Senior Debentures Due 2022 in a private offering. This prospectus will be used by selling securityholders to resell the debentures and the common stock issuable upon conversion of the debentures.

The debentures currently bear interest at an annual rate of 4.75%. On August 1, 2008, August 1, 2011 and August 1, 2016, the interest rate on the debentures will be reset to a rate per annum equal to the interest rate payable 120 days prior to such reset date on 5-year U.S. Treasury Notes plus 0.43%. However, in no event will such interest rate be reset below 4.75% or above 6.75% per annum. Interest is payable February 1 and August 1 of each year, beginning August 1, 2002. On February 1, 2022, the maturity date of the debentures, holders of debentures will receive $1,000 plus accrued and unpaid interest for each debenture.

Holders may convert all or some of their debentures at any time prior to the close of business on the business day immediately preceding the maturity date at a conversion price of $23.38 per share, subject to prior redemption of the debentures. The conversion price is subject to adjustment. Upon conversion, a holder will not receive any cash representing accrued and unpaid interest.

The debentures are not entitled to any sinking fund. We may redeem the debentures on or after February 5, 2005 at the prices described in this prospectus; provided that we may not redeem the debentures prior to February 5, 2006 unless the last reported sale price of our common stock is at least 130% of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice.

We do not intend to list the debentures on any national securities exchange or the Nasdaq National Market. Our common stock is listed on the New York Stock Exchange under the symbol AMD. On March 9, 2004, the last reported sale price of our common stock on the New York Stock Exchange was $14.53 per share.

Investing in the debentures involves risk. See Risk Factors beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is

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PROSPECTUS SUMMARY

This summary highlights some information contained or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. Important information is incorporated by reference into this prospectus. To understand this offering fully, you should read carefully the entire prospectus, including Risk Factors, the incorporated consolidated financial statements and related notes and the information incorporated by reference in this prospectus.

Advanced Micro Devices, Inc.

General

We are a semiconductor manufacturer with manufacturing facilities in the United States, Europe and Asia and sales offices throughout the world. We design, manufacture and market industry-standard digital integrated circuits that are used in many diverse product applications such as desktop and mobile personal computers, or PCs, workstations, servers, communications equipment and automotive and consumer electronics. Our products include microprocessors, Flash memory devices and embedded microprocessors for personal connectivity devices, which we refer to as our Personal Connectivity Solutions, or PCS, products.

Developments in 2003

During 2003, we endeavored to position our company to take advantage of anticipated growth opportunities within the semiconductor market and anticipated increased demand for semiconductor products in 2004. In April 2003, we introduced our AMD Opteron microprocessors for servers and workstations, and in September 2003, we introduced our AMD Athlon 64 microprocessors for desktop and mobile PCs. We designed these high-performance microprocessors for both 32-bit and 64-bit processing, enabling users to protect their information technology investments by continuing to use their 32-bit software applications while implementing 64-bit software applications on the timetable of their choice.

In order to meet anticipated demand for these and other advanced microprocessor products, we are constructing a new 300-millimeter wafer fabrication facility. This facility, Fab 36, will be located in Dresden, Germany, adjacent to our existing manufacturing facility, Fab 30.

In addition, in order to respond more quickly to changes in market trends in the Flash memory market and improve efficiencies in the production, marketing and design of our Flash memory products, we and Fujitsu Limited formed a new entity named FASL LLC, effective June 30, 2003. We own 60 percent of FASL LLC while Fujitsu owns 40 percent. Accordingly, as of June 30, 2003, we began consolidating the results of FASL LLC s operations. FASL LLC is headquartered in Sunnyvale, California, and its manufacturing, research, test, and assembly operations are in the United States and Asia. FASL LLC engages in the research, development, manufacture, marketing, and promotion of Flash memory products, which it markets under the Spansion global product brand name. We and Fujitsu are the distributors of FASL LLC s Spansion Flash memory products. As part of this transaction, we contributed to FASL LLC our Flash memory inventory, our manufacturing facility located in Austin, Texas, known as Fab 25, our Flash memory research and development facility in Sunnyvale, California, known as the Submicron Development Center, or SDC, and our Flash memory assembly and test operations in Thailand, Malaysia and China. Fujitsu contributed its Flash memory division, including related inventory, cash, and its Flash memory assembly and test operations in Malaysia. In addition, both we and Fujitsu contributed our respective investments in our previous manufacturing joint venture, Fujitsu AMD Semiconductor Limited, located in

Aizu-Wakamatsu, Japan, which became part of a wholly owned subsidiary of FASL LLC named FASL JAPAN LIMITED, or FASL JAPAN. In this prospectus we refer to the previous manufacturing joint venture with Fujitsu as the Manufacturing Joint Venture.

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As part of the transaction, we entered into various contracts with FASL LLC and Fujitsu, including a non-competition agreement pursuant to which we agreed that we would not engage in the development, production, manufacture, marketing, distribution, promotion or sale of Flash memory devices outside of FASL LLC; a patent cross-license agreement pursuant to which each party has been granted a non-exclusive license under the other party s respective licensed patents for the manufacture and sale of semiconductor products worldwide; services agreements pursuant to which we agreed to provide, among other things, certain information technology, facilities, logistics, legal, tax, finance, human resources, and environmental, health and safety services to FASL LLC; and a distribution agreement pursuant to which we obtained the right to distribute Spansion Flash memory products. The term of the distribution agreement is indefinite, subject to termination by mutual agreement of the parties, upon failure to cure a material breach or upon termination of the limited liability company operating agreement that governs FASL LLC, unless otherwise agreed to by the parties.

Additional Information

We were incorporated under the laws of Delaware on May 1, 1969. Our mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94088, and our telephone number is (408) 749-4000. Our website address is www.amd.com. The information contained on our website is not part of this prospectus. With the exception of the sections of this prospectus that discuss financial data, which is presented on a consolidated basis, references in this prospectus to the Company, AMD, we and us include our subsidiaries, but, unless otherwise indicated do not include FASL LLC or its subsidiaries.

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The Offering

Issuer	Advanced Micro Devices, Inc.
Securities offered	$500 million aggregate principal amount of 4.75% Convertible Senior Debentures Due 2022.
Interest	The debentures currently bear interest at an annual rate of 4.75%. On August 1, 2008, August 1, 2011 and August 1, 2016 the interest rate on the debentures will be reset to a rate per annum equal to the interest rate payable 120 days prior to such reset date on 5-year U.S. Treasury Notes plus 0.43%. However, in no event will the interest rate be reset below 4.75% or above 6.75% per annum. Interest is payable on February 1 and August 1 of each year, beginning on August 1, 2002.
Maturity date	February 1, 2022.
Conversion rights	Holders may convert all or some of their debentures at any time prior to the close of business on the business day immediately preceding the maturity date at a conversion price of $23.38 per share. The initial conversion price is equivalent to a conversion rate of approximately 42.77 shares per $1,000 principal amount of debentures. The conversion price is subject to adjustment. Upon conversion, holders will not receive any cash representing accrued interest. For more information, see Description of Debentures Conversion of Debentures.
Ranking	The debentures are our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness, including $402.5 million of our 4.50% Convertible Senior Notes Due 2007 that we sold in November 2002. The debentures effectively rank behind all of our secured debt to the extent of the value of the assets securing those debts, and are structurally subordinated to all liabilities, including trade payables, of our subsidiaries. At December 28, 2003, we had no amounts outstanding under our July 2003 Loan Agreement, and our subsidiaries had approximately $1,750 million of outstanding indebtedness and other liabilities, including trade payables and capital lease obligations. For more information, see Description of Debentures Ranking.
Sinking fund	None.
Optional redemption	We may redeem some or all of the debentures on or after February 5, 2005, at the redemption prices set forth in this prospectus; provided that we may not redeem the debentures prior to February 5, 2006 unless the last reported sale price of our common stock is at least 130% of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice. For more information, see Description of Debentures Optional Redemption by AMD.

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Purchase of debentures by us at the option of the holder	Holders may require us to repurchase all or a portion of their debentures on February 1, 2009, February 1, 2012 and February 1, 2017 at 100% of the principal amount of the debentures to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. For more information, see Description of Debentures Repurchase at Option of the Holder on Purchase Dates.
Fundamental Change	If we undergo a Fundamental Change, as described in this prospectus, holders will have the option to require us to repurchase for cash all or any portion of their debentures not previously called for redemption. We will pay a repurchase price equal to 100% of the principal amount of the debentures to be repurchased plus accrued and unpaid interest to, but excluding, the repurchase date. The purpose of the repurchase option is to afford holders protection upon the occurrence of certain transactions that result in a change to our basic structure or ownership. However, the term Fundamental Change may not include other events that might adversely affect our financial condition. For more information, see Description of Debentures Repurchase at Option of the Holder Upon a Fundamental Change.
Use of proceeds	The selling securityholders will receive all of the proceeds from the sale under this prospectus of debentures and the common stock issuable upon conversion of the debentures. We will not receive any proceeds from these sales.
United States federal income tax considerations	Each holder agrees in the indenture, for United States federal income tax purposes, to treat the debentures as contingent payment debt instruments and to abide by our application of the Treasury regulations that govern contingent payment debt instruments, including our determination that the rate at which interest will be deemed to accrue for federal income tax purposes will be 9.625% compounded semi-annually, which is the rate comparable to the rate at which we would borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the debentures. Accordingly, each holder will be required to accrue interest at this rate (subject to certain adjustments as described in greater detail in Material United States Federal Income Tax Considerations), with the result that a U.S. Holder will recognize taxable income significantly in excess of cash received while the debentures are outstanding. In addition, a U.S. Holder will recognize gain upon a conversion of a debenture into our common stock equal to the excess, if any, of the value of the common stock received on the conversion over the sum of the original purchase price of the U.S. Holder s debenture and accrued but unpaid interest. Moreover, gain recognized on conversion or other taxable disposition of a debenture will generally be treated as ordinary income. However, no rulings have been or will be sought from the Internal Revenue Service or a court with respect to the applicability of the Contingent Debt Regulations to the debentures and, accordingly, no assurance can be given that the IRS or a court will agree with the treatment described herein. If the agreed upon treatment was successfully challenged by

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	the IRS, it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, and should not have recognized ordinary income upon a taxable disposition of its debentures. For more information, see Material United States Federal Income Tax Considerations. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX TREATMENT OF THE DEBENTURES AND WHETHER A PURCHASE OF THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE INVESTOR S PARTICULAR TAX SITUATION.
Common stock	Our common stock is listed on The New York Stock Exchange under the symbol AMD.

We have not authorized any dealer, salesperson or other person to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus as if we had authorized it. The information contained in this prospectus is current only as of the date on the cover page of this prospectus, and may change after that date. We do not imply that there has been no change in the information contained in this prospectus or in our affairs since that date by delivering this prospectus.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request to One AMD Place, Sunnyvale, CA 94088, Attention: Legal Department, or call (408) 749-4000 and ask to speak to someone in our Legal Department.

FORWARD-LOOKING STATEMENTS

Discussions contained in this prospectus and the documents incorporated by reference in this prospectus include forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including believes, expects, may, will, should, seeks, approxima intends, plans, pro forma, estimates, or anticipates or the negative of these words and phrases or other variations of these words and phrases comparable terminology, or by discussions of strategy, plans or intentions. The forward-looking statements relate to, among other things:

- our ability to be profitable;
- our revenues;
- depreciation and amortization;
- operating results;

anticipated cash flows;

capital expenditures;

gross margins;

adequacy of resources to fund operations and capital investments;

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customer and market acceptance of our AMD Opteron and AMD Athlon 64 microprocessors, and the AMD64 technology upon which they are based;

customer and market acceptance of FASL LLC s Spansion Flash memory products based on MirrorBit and floating gate technology;

the ability to produce these products in the volumes required by the market at acceptable yields and on a timely basis;

our and FASL LLC s ability to maintain the level of investment in research and development that is required to remain competitive;

our and FASL LLC s ability to transition to new products and technologies in a timely and effective way;

our and FASL LLC s ability to achieve cost reductions in the amounts and in the timeframes anticipated;

our ability to produce microprocessors in the volume required by customers on a timely basis;

our ability to maintain or improve average selling prices of our products despite aggressive marketing and pricing strategies of our competitors;

our ability, and the ability of third parties, to provide timely infrastructure solutions, such as motherboards and chipsets, to support our microprocessors;

the process technology transitions in our wafer fabrication facilities located in Dresden, Germany (Fab 30) and FASL LLC s wafer fabrication facilities in Austin, Texas (Fab 25) and in Aizu-Wakamatsu, Japan (JV1, JV2 and JV3); and

the financing and construction of our proposed 300-millimeter wafer fabrication facility (Fab 36) in Dresden, Germany.

See Risk Factors below, as well as such other risks and uncertainties as are detailed in our other documents incorporated by reference in this prospectus for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which reflect management s analysis only. We assume no obligation to update forward-looking statements.

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RISK FACTORS

You should consider the risk factors below as well as other information set forth or incorporated by reference in this prospectus. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, our ability to make payments on the debentures could be impaired, the trading price of the debentures and our common stock could decline, and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below, elsewhere in this prospectus and in the documents incorporated by reference in this prospectus.

Risks Related to Our Business

We must achieve further market acceptance for our AMD Opteron and AMD Athlon 64 microprocessors, or we will be materially adversely affected. We introduced our AMD Opteron processors in April 2003, and we introduced our AMD Athlon 64 processors in September 2003. We designed these processors to provide users with the ability to take advantage of 64-bit applications while preserving their ability to run existing 32-bit applications on servers and workstations and on desktop and mobile PCs. The success of these processors is subject to risks and uncertainties including:

- market acceptance of our new 64-bit technology, AMD64, including the willingness of users to purchase products with 64-bit capability prior to having transitioned to 64-bit computing;
- our ability to produce these processors in a timely manner on new process technologies, including 90-nanometer silicon-on-insulator technology, in the volume and with the performance and feature set required by customers;
- our ability to successfully transition to 90-nanometer manufacturing process technology on a timely basis;
- the availability, performance and feature set of motherboards and chipsets designed for these processors; and
- the support of operating system and application program providers for our 64-bit instruction set, including timely development of 64-bit applications.

We cannot be certain that our substantial investments for research and development of process technologies will lead to timely improvements in technology and equipment used to fabricate our products or that we will have sufficient resources to invest in the level of research and development that is required to remain competitive. We make substantial investments in research and development for process technologies in an effort to improve the technologies and equipment used to fabricate our products. In December 2002 we executed an agreement with IBM to jointly develop new logic process technologies, particularly 65- and 45-nanometer technologies to be implemented on 300-millimeter silicon wafers, for use in producing future high-performance microprocessor products. The successful and timely development and implementation of silicon-on-insulator technology and the achievement of other milestones set forth in this agreement are critical to our AMD Opteron and AMD Athlon 64 microprocessors and to our ability to commence operations at Fab 36 in accordance with our planned schedule. During 2002 and 2003, we paid approximately $190 million to IBM in connection with agreements and services related to research and development activities. We cannot be certain that we will be able to develop, or obtain or successfully implement leading-edge process technologies needed to fabricate future generations of our products profitably or on a timely basis. Furthermore, we cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required for us to remain competitive or that our partnerships will be successful.

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We have experienced substantial fluctuations in revenues since 2001, and we may experience declines in revenues and increases in operating losses in the future. Our historical financial results have been, and our future financial results are anticipated to be, subject to substantial fluctuations. Our total revenues were $3,519 million for 2003 and $2,697 million for 2002 compared to $3,892 million for 2001. The decline from 2001 to 2002 was due primarily to a decrease in unit sales and in average selling prices for our Computation Products, resulting from the industry-wide weakness in PC sales, and a decrease in average selling prices for our Memory Products, reflecting continued weakness in the telecommunications and networking equipment industries, and the execution of our plan to align our microprocessor inventory in the supply chain with forecasted demand, which included our decision, primarily in the third and fourth quarters of 2002, to limit shipments and to accept receipt of product returns from certain customers. We incurred a net loss of $274 million for the fiscal year ended December 28, 2003, and $1.3 billion for 2002, compared to a net loss of $61 million for 2001. If conditions do not continue to improve in the microprocessor or Flash memory markets in accordance with our expectations we may experience declines in revenue and operating losses. We cannot assure you that we will be able to return to profitability or that, if we do, we will be able to sustain it.

The semiconductor industry is highly cyclical and has until recently been in a severe downturn that adversely affected, and may in the future adversely affect, our business. The highly cyclical semiconductor industry has experienced significant downturns, often in connection with maturing product cycles, manufacturing overcapacity and declines in general economic conditions. The most recent downturn, which began in the fourth quarter of 2000, was severe and prolonged, and future downturns may also be severe and prolonged. Our financial performance has been negatively affected by these downturns, including the incurrence of substantial losses during the most recent downturn, as a result of:

- the cyclical nature of the supply/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products that incorporate our semiconductors;
- excess inventory levels in the channels of distribution, including our customers;
- excess production capacity; and
- accelerated declines in average selling prices.

If conditions do not continue to improve in the near term in accordance with our expectations, or if these conditions in the semiconductor industry occur in the future, as they likely will to a lesser or greater degree, our business will be adversely affected.

Fluctuations in the personal computer market may continue to materially adversely affect us. The Computation Products segment of our business is dependent upon the PC market. Industry-wide fluctuations in the PC marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. Depending on the growth rate of PCs sold, sales of our microprocessors may not grow and may even decrease. If end user demand for PCs is below our expectations, we may be adversely affected.

In addition, current trends of consolidation within the personal computer industry, as evidenced by the Hewlett-Packard/Compaq merger, as well as potential market share increases by customers who exclusively purchase microprocessors from Intel Corporation, such as Dell, Inc., could further materially adversely affect us.

We plan for significant capital expenditures in 2004, and if we cannot generate the capital required for these capital expenditures and other ongoing operating expenses through operating cash flow and external financing activities, we may be materially adversely affected. We plan for capital expenditures of approximately $1.5 billion in 2004. Our ability to fund these expenditures depends on generating sufficient cash flow from operations and the availability of external financing, including third-party loans and investments for the Fab 36 project and third-party financing for FASL LLC s expansion plans. Our capital expenditures for 2004 include approximately $600 million for the Fab 36 project and approximately $160 million for the Fab 30

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project. In addition, FASL LLC expects to spend approximately $583 million in connection with its plans to increase the manufacturing capacity of its wafer fabrication and assembly and test facilities and for other research and development activities.

During the four-year period commencing on June 30, 2003, we are also obligated to provide FASL LLC with additional funding to finance operational cash flow needs. Generally, FASL LLC is first required to seek any required financing from external sources. However, if such third-party financing is not available, we must provide funding to FASL LLC equal to our pro-rata ownership interest in FASL LLC, which is currently 60 percent.

In addition, a significant amount of the costs of the Fab 36 project are denominated in euro. When we initially forecasted our budget for the Fab 36 project, we modeled certain financial assumptions, including that the foreign exchange rate, over time, would be one euro to one U.S. dollar. Since our initial forecast, the U.S. dollar has depreciated against the euro. If the U.S. dollar continues to depreciate against the euro, the costs of the Fab 36 project would be higher than we planned, which could have a material adverse effect on us.

These capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and will decrease our cash balances. The timing and amount of our capital requirements cannot be precisely determined at this time and will depend on a number of factors, including demand for products, product mix, changes in semiconductor industry conditions and competitive factors. We regularly assess markets for external financing opportunities, including debt and equity. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain needed debt and/or equity financing or to generate sufficient cash from operations may require us to abandon planned projects or curtail capital expenditures. If we abandon projects such as the Fab 36 project, we may have to write off related costs that we capitalized and we may be required to continue to make payments or otherwise be liable pursuant to then-existing contracts that we cannot terminate at will or without significant penalties, which would have a material adverse effect on us.

If we are not successful in integrating the operations of FASL LLC, we could be materially adversely affected. Effective June 30, 2003, we and Fujitsu Limited executed several agreements that resulted in the integration of our and Fujitsu s Flash memory operations. We contributed Flash memory inventory, Fab 25 in Austin, Texas, the SDC, and our Flash memory assembly and test operations in Thailand, Malaysia and China. Fujitsu contributed its Flash memory division, including related inventory, cash, and its Flash memory assembly and test operations in Malaysia. In addition, both we and Fujitsu contributed our respective investments in our previous Manufacturing Joint Venture, Fujitsu AMD Semiconductor Limited, located in Aizu-Wakamatsu, Japan, which became a wholly owned subsidiary of FASL LLC.

Our anticipated benefits from this transaction are subject to, among other things, the following risks:

- the possibility that FASL LLC will not be successful because of problems integrating the operations and employees of the two companies or achieving the efficiencies and other advantages intended by the transaction; and

- the possibility that global business and economic conditions will worsen, resulting in lower than currently expected demand for Flash memory products.

We cannot assure you that we will be able to successfully integrate these operations or that we will be able to achieve and sustain any benefit from FASL LLC s creation.

Intel Corporation s dominance of the microprocessor market, its position in the Flash memory market and its business practices may limit our ability to compete effectively. Intel has dominated the market for microprocessors used in desktop and mobile PCs for many years**.** Intel is also a significant competitor in the server segment of the microprocessor market and in the Flash memory market. Because of its dominant position,

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Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the microprocessor market requires of Intel s competitors. In addition, Intel s significant financial resources allow it to market its products aggressively, to target our customers and our channel partners with special incentives, and to discipline customers who do business with us. These aggressive activities can result in lower unit sales and average selling prices for our products and adversely affect our margins and profitability. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the Intel Inside brand program and other marketing programs. As long as Intel remains in this dominant position, we may be materially adversely affected by its:

- pricing and allocation strategies and actions;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- exclusivity payments to its current and potential customers;
- control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and basic input/output system, or BIOS, suppliers; and
- user brand loyalty.

Intel also dominates the PC system platform. As a result, PC OEMs are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. In marketing our microprocessors to OEMs we depend on third-party companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and other components. In recent years, many of these third-party designers and manufacturers have lost significant market share to Intel or exited the business. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel s microprocessors, and Intel has significant leverage over their business opportunities.

We do not currently plan to develop microprocessors that are bus interface protocol compatible with Intel microprocessors because our patent-cross license agreement with Intel does not extend to microprocessors that are bus interface protocol compatible with Intel s six and subsequent generation processors. Thus, our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for microprocessors will depend on our ability to develop relationships with infrastructure providers and ensure that these third-party designers and manufacturers design PC platforms to support new generations of our microprocessors. A failure of the designers and producers of motherboards, chipsets and other system components to support our microprocessor offerings, particularly our new AMD Athlon 64 and AMD Opteron microprocessors, would have a material adverse effect on us.

We expect Intel to maintain its dominant position in the microprocessor market as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly spends substantially greater amounts on research and development than we do. We expect competition from Intel to increase in 2004 and beyond to the extent Intel reduces prices for its products and as Intel introduces new competitive products. For example, in February 2004, Intel announced that it intends to introduce 64-bit processors for servers and workstations that will be able to run existing 32-bit software applications in mid-2004. We believe that these processors will compete with our AMD Opteron microprocessors. In addition, Intel announced that it will offer 64-bit processors for the desktop market and other market segments that will be able to run existing 32-bit software applications in a time frame based on both timing and availability of the infrastructure required to support them, and customer demand. These products would compete with our AMD Athlon 64 microprocessors. Moreover, Intel currently manufactures certain of its microprocessor products on 300-millimeter wafers using 90-nanometer process technology. Use of 90-nanometer technology can result in products that are higher

performing, use less power and that cost less to manufacture. Use of 300-millimeter wafers can decrease manufacturing costs and increase

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capacity by yielding more equivalent chips per wafer than 200-millimeter wafers. We have not yet made comparable transitions at our microprocessor manufacturing facilities. As a result, we may be more vulnerable to Intel s aggressive pricing strategies for microprocessor products. Intel s strong position in the microprocessor market, its existing relationships with top-tier OEMs and its aggressive pricing strategies could result in lower unit sales and average selling prices for our products, which could adversely affect our revenues.

If we are unable to develop, produce and successfully market higher-performing microprocessor products, we may be materially adversely affected. The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully, we must transition to new process technologies at a fast pace and offer higher-performance microprocessors in significantly greater volumes at competitive prices. If we fail to achieve yield and volume goals or to offer higher-performance microprocessors in significant volume on a timely basis and at competitive prices, we could be materially adversely affected.

To be successful, we must increase sales of our x86 microprocessor products to existing customers and develop new customers in both consumer and commercial markets, particularly the latter. Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

- market acceptance for the AMD Opteron and AMD Athlon 64 microprocessors, which rely on market acceptance and demand for our AMD64 technology;
- our ability to fund our planned 300-millimeter wafer fabrication facility and develop associated process technologies that will be required for long-term competitiveness;
- our ability to increase our share of the enterprise market with tier-one OEM customers in order to have the demand necessary to utilize the capacity of our planned 300-millimeter wafer fabrication facility;
- our ability to successfully market the AMD Athlon XP, AMD Opteron, AMD Athlon 64 and AMD Duron processors, which rely in part on market acceptance of a metric based on overall processor performance versus processor clock speed (measured in megahertz frequency);
- the pace at which we expect to be able to convert production in Fab 30 to 90-nanometer process technology;
- our ability to maintain adequate selling prices of microprocessors despite increasingly aggressive Intel pricing strategies, marketing programs, new product introductions and product bundlings of microprocessors, motherboards and chipsets;
- our ability, on a timely basis, to produce microprocessors in the volume and with the performance and feature set required by customers;
- our ability to attract and retain engineering and design talent;
- our ability to expand system design capabilities; and
- the availability and acceptance of motherboards and chipsets designed for our microprocessors.

Our ability to increase microprocessor product revenues and benefit fully from the substantial investments we have made and continue to make related to microprocessors depends on the success of our AMD Opteron and AMD Athlon 64 processors and the continuing success of our AMD Athlon XP and AMD Duron microprocessors. If we fail to achieve continued and expanded market acceptance of our microprocessors, we may be materially adversely affected.

If we were to lose Microsoft Corporation s support for our products, our ability to market our processors would be materially adversely affected. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on Microsoft s designing and developing its operating systems to run on or support our microprocessor products. If Microsoft does not continue to design and develop its operating systems so that they

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work with our x86 instruction sets, including our AMD64 technology introduced with our AMD Opteron and AMD Athlon 64 processors, independent software providers may forego designing their software applications to take advantage of our innovations and customers may not purchase PCs with our microprocessors. If we fail to retain the support of Microsoft, our ability to market our processors could be materially adversely affected.

The loss of a significant customer for our Spansion Flash memory products in the high-end mobile telephone market, or a lack of market acceptance of FASL LLC s MirrorBit technology may have a material adverse effect on us. Since the third quarter of 2002, our Flash memory product sales growth was almost entirely based on strength in the high-end mobile phone market. To date, our sales in that market have been concentrated with a few customers. In addition, we expect competition in the market for Flash memory devices to continue to increase as new competitors enter the Flash memory market, particularly the NOR segment, existing competing manufacturers introduce new products or pursue aggressive pricing strategies and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and other competitors introduce new competing products. A decline in unit sales of our Flash memory devices, lower average selling prices, a downturn in the mobile phone market or a loss of a significant mobile phone customer, would have a material adverse effect on us.

In July 2002, we commenced production shipments of the first product with MirrorBit technology. MirrorBit technology is a memory cell architecture that enables Flash memory products to hold twice as much data as standard Flash memory devices. A lack of customer or market acceptance, or any substantial difficulty in transitioning Flash memory products, including those based on MirrorBit technology, to any future process technology could reduce FASL LLC s ability to be competitive in the market and could have a material adverse effect on us.

Spansion Flash memory products are based on the NOR architecture, and a significant market shift to the NAND architecture could materially adversely affect us. Spansion Flash memory products are based on the Boolean logic-based NOR (Not Or) architecture, which is typically used for code execution. FASL LLC does not manufacture products based on NAND (Not And) architecture, which typically offers greater storage capacity. During 2003, sales of products based on NAND architecture have grown at higher rates than sales of NOR products. This has resulted in the NAND vendors gaining a greater share of the overall Flash market. Any significant shift in the marketplace to products based on NAND architecture or other architectures may reduce the total market available to us and therefore reduce our market share, which could have a material adverse effect on us.

Worldwide economic and political conditions may affect demand for our products and slow payment by our customers. The recent economic slowdown in the United States and worldwide, exacerbated by the occurrence and threat of terrorist attacks and consequences of sustained military action in the Middle East, adversely affected demand for our products. Although economic conditions began to improve in the second half of 2003, another decline of the worldwide semiconductor market or a future decline in economic conditions in any significant geographic area would likely decrease the overall demand for our products, which could have a material adverse effect on us. If the economic slowdown returns as a result of terrorist activities, military action or otherwise, it could adversely impact our customers ability to pay us in a timely manner.

Manufacturing capacity constraints and manufacturing capacity utilization rates may adversely affect us. There may be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on us. If we do not transition to 90-nanometer manufacturing process technology at Fab 30 on a timely basis, we may not be able to meet the demand for certain of our microprocessor products. In addition, FASL LLC s manufacturing facilities may be inadequate to meet our demand for certain Flash memory products. As a result, FASL LLC may not be able to provide us with sufficient quantities of these products to allow us to meet demand for these products from our customers.

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At times we may underutilize our manufacturing facilities as a result of reduced demand for certain of our products. We are substantially increasing our manufacturing capacity by building Fab 36, transitioning to smaller manufacturing process technologies and making significant capital investments in Fab 30. In addition, FASL LLC is increasing its manufacturing capacity by transitioning to smaller manufacturing process technologies, expanding Fab 25, JV1, JV2, and JV3 and increasing the capacity of its assembly and test facilities to accommodate both a growth in units that transition to higher densities and an increase in MCP products. If the increase in demand for our products is not consistent with our expectations, we and FASL LLC may underutilize manufacturing facilities, and we could be materially adversely affected. This has in the past had, and in the future may have, a material adverse effect on our earnings and cash flow.

We believe that at this time, the most significant risk is manufacturing capacity constraint.

Unless we maintain manufacturing efficiency, our future profitability could be materially adversely affected. Manufacturing semiconductor components involves highly complex processes that require advanced equipment. We and our competitors continuously modify these processes in an effort to improve yields and product performance, and decrease costs. During 2004, we plan to transition our microprocessor production to 90-nanometer process technology, and FASL LLC intends to transition the production of certain of its memory products to 110-nanometer process technology. During periods when we or FASL LLC are implementing new process technologies, our or FASL LLC s manufacturing facilities may not be fully productive. Substantial delay in the technology transitions in Fab 30 to smaller process technologies employing silicon-on-insulator technology and in FASL LLC s wafer fabrication facilities to smaller geometries could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies earlier than we do. For example, Intel currently manufactures certain microprocessor products on 300-millimeter wafers using 90-nanometer process technology. Use of 90-nanometer technology can result in products that are higher performing, use less power and that cost less to manufacture. Use of 300-millimeter wafers can decrease manufacturing costs and increase capacity by yielding more equivalent chips per wafer than 200-millimeter wafers. We have not yet made comparable transitions at our microprocessor manufacturing facilities. Furthermore, impurities or other difficulties in the manufacturing process can lower yields. Our manufacturing efficiency will be an important factor in our future profitability, and we cannot be sure that we will be able to maintain our manufacturing efficiency or increase manufacturing efficiency to the same extent as our competitors.

We may experience manufacturing problems in achieving acceptable yields or product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, delays in meeting the milestones set forth in our joint development agreement with IBM, upgrading or expanding existing facilities, or changing our process technologies, which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

External factors, such as the SARS virus, bird flu and potential terrorist attacks and other acts of violence or war, may materially adversely affect us. In early 2003, the severe acute respiratory syndrome (SARS) virus had an adverse effect upon the Asian economies and affected demand for our products in Asia. A new outbreak of the virus, or a new virus such as the recent bird flu virus, could have a similar impact on demand for our products in Asia. In addition, if there were to be a case of SARS discovered in any of our operations in Asia, the measures to prevent the spread of the virus could disrupt our operations at that location.

Terrorist attacks may negatively affect our operations directly or indirectly and such attacks or related armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive, and ultimately affect our sales.

Also as a result of terrorism, the United States may be involved in armed conflicts that could have a further impact on our sales, our supply chain and our ability to deliver products to our customers. Political and economic

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instability in some regions of the world may also result and could negatively impact our business. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility to the United States economy and worldwide financial markets. Any of these occurrences could have a significant impact on our operating results and financial condition, and also may result in the volatility of the market price for our securities and on the future prices of our securities.

Intense competition in the integrated circuit industry may materially adversely affect us. The integrated circuit industry is intensely competitive. Products compete on performance, quality, reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition, and availability. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency improves, competitors enter the market, and successive generations of products are developed and introduced for sale. Failure to reduce our costs on existing products or to develop and introduce, on a cost-effective and timely basis, new products or enhanced versions of existing products with higher margins, would have a material adverse effect on us.

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

Costs related to defective products could have a material adverse effect on us. One or more of our products may be found to be defective after the product has been shipped to customers in volume. The cost of a recall, software fix, product replacements and/or product returns may be substantial and could have a material adverse effect on us. In addition, modifications needed to fix the defect may impede performance of the product.

If essential raw materials are not available to manufacture our products, we could be materially adversely affected. Certain raw materials we use in the manufacture of our products and FASL LLC uses in the manufacture of its products are available from a limited number of suppliers. For example, we are dependent on key chemicals from a limited number of suppliers and rely on a few foreign companies to supply the majority of certain types of integrated circuit packages we purchase. Similarly, FASL LLC purchases commercial non-Flash memory die, such as SRAM, from third party suppliers and incorporates these die into its MCP products. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we or FASL LLC are unable to procure certain of these materials, we or FASL LLC might have to reduce our manufacturing operations. Such a reduction could have a material adverse effect on us.

Our operations in foreign countries are subject to political and economic risks, which could have a material adverse effect on us. Nearly all product assembly and final testing of our microprocessor products are performed at our manufacturing facilities in Malaysia, and Singapore; or by subcontractors in the United States and Asia. Nearly all product assembly and final testing of Spansion products are performed at FASL LLC s facilities in Malaysia, Thailand, and China. We manufacture our microprocessors in Germany. We also depend on foreign foundry suppliers for the production of our Personal Connectivity Solutions and chipset products, international joint ventures for the manufacture of optical photomasks that we intend to use in the manufacture of our microprocessors, and we have international sales operations.

The political and economic risks associated with our operations in foreign countries include:

expropriation;

changes in a specific country s or region s political or economic conditions;

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trade protection measures and import or export licensing requirements;

difficulty in protecting our intellectual property;

changes in foreign currency exchange rates and currency controls;

changes in freight and interest rates;

disruption in air transportation between the United States and our overseas facilities; and

loss or modification of exemptions for taxes and tariffs;

Any of the above risks, should they occur, could have a material adverse effect on us.

As part of our business strategy, we are continuing to seek expansion of product sales in emerging overseas markets. Expansion into emerging overseas markets presents similar political and economic risks as described above, and we may be unsuccessful in our strategy to penetrate these emerging overseas markets.

Also, a significant portion of the manufacturing costs for our microprocessor products is denominated in euros while sales of those products are denominated primarily in U.S. dollars. If the U.S. dollar continues to depreciate against the euro in the foreign exchange market, our gross margins may deteriorate.

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

Our inability to effectively implement new modules of our enterprise resource planning system could have a material adverse effect on us. In November 2003, we restarted the implementation of the sales and distribution modules of the enterprise resource planning (ERP) system that we initially began implementing in early 2002 and postponed from September 2002 to November 2003 as part of our cost-cutting initiatives. The ERP system is intended to provide an integrated information system to serve all of AMD. We are heavily dependent on the proper function of our internal systems to conduct our business. System failure or malfunctioning may result in disruption of operations and the inability to process transactions. If we encounter unforeseen problems with regard to system operations or these additional module implementations, we could be materially adversely affected. In addition, if the semiconductor industry does not continue to improve in accordance with our expectations or undergoes another downturn or if demand for our products is lower than our expectations, we may again postpone implementation of these modules.

We rely on third parties to provide supply-chain logistics functions, including physical distribution of our products, and some information technology services. We rely on a third-party provider to deliver our products to our customers and to distribute materials for Fab 25 and the SDC. In addition, we rely on a third-party provider in India to provide certain information technology services to us, including helpdesk support,

desktop application services, business and software support applications, server and storage administration, data center operations, database administration, and