

ADVANCED MICRO DEVICES INC  
Form POS AM  
August 26, 2003  
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As filed with the Securities and Exchange Commission on August 26, 2003

Registration No. 333-84028

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**POST-EFFECTIVE  
AMENDMENT NO. 10  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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## ADVANCED MICRO DEVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

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Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

One AMD Place  
Sunnyvale, CA 94086  
  
(408) 732-2400  
(Address, Including Zip Code, and Telephone Number,

94-1692300  
(I.R.S. Employer  
Identification Number)

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Including Area Code, of Registrant's Principal Executive Offices)

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**Thomas M. McCoy, Esq.**

**Senior Vice President,**

**General Counsel**

**One AMD Place**

**Sunnyvale, CA 94086 (408) 732-2400**

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

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*Copy To:*

**Tad J. Freese, Esq.**

**Latham & Watkins**

**505 Montgomery Street, Suite 1900**

**San Francisco, California 94111**

**(415) 391-0600**

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**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. "

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**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 August 22, 2003, the last reported sale price of our common stock on the New York Stock Exchange was \$9.91 per share.

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**Investing in the debentures involves risk. See Risk Factors beginning on page 5 of this prospectus.**

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**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 \_\_\_\_\_, 2002

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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. References in this prospectus to us, we, the Company or AMD shall mean Advanced Micro Devices, Inc. and our consolidated subsidiaries, unless the context indicates otherwise.*

**Advanced Micro Devices, Inc.**

AMD is one of the world's leading semiconductor manufacturers. We were founded in 1969, became a publicly held company in 1972 and since 1979 our common stock has been listed on the New York Stock Exchange under the trading symbol AMD.

We design, manufacture and market a wide variety of industry-standard digital integrated circuits, or ICs, primarily for the microprocessor and Flash memory markets. Our products are used in many diverse product applications such as personal computers, workstations, servers, telecommunications equipment, data and network communications equipment and consumer electronics.

We have sales offices worldwide and have manufacturing or testing facilities in Sunnyvale, California; Austin, Texas; Dresden, Germany; Aizu-Wakamatsu, Japan; Bangkok, Thailand; Penang, Malaysia; Suzhou, China; and Singapore. Our mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94086, and our telephone number at that location is (408) 732-2400.

**Recent Developments**

*FASL LLC*

Effective June 30, 2003, we and Fujitsu Limited executed several agreements which resulted in the integration of our and Fujitsu's Flash memory operations in the third quarter. The new company, FASL LLC, is 60 percent owned by us and 40 percent owned by Fujitsu Limited. We contributed or sold our Flash memory operations, including related inventory, our manufacturing facility located in Austin, Texas (Fab 25), our Submicron Development Center in Sunnyvale, California, and our Flash memory assembly and test operations in Thailand, Malaysia and China, in exchange for membership interests in FASL LLC and a \$261 million promissory note. We also loaned to FASL LLC \$120 million pursuant to a promissory note. The note has a term of three years and bears interest at LIBOR plus 4%. Interest payments only are due in quarterly installments for the first two years. Payments of principal (along with interest) are due in equal installments over the last four quarters of the note. Fujitsu contributed its Flash memory division including related inventory, \$140 million in cash and its Fujitsu Microelectronics (Malaysia) Sdn. Bhd. final assembly and test operations. We and Fujitsu also contributed the existing Manufacturing Joint Venture (formerly known as Fujitsu AMD Semiconductor Limited) located in Aizu-Wakamatsu, which became a wholly owned subsidiary of FASL LLC. Fujitsu also loaned to FASL LLC \$40 million pursuant to a promissory note. The terms of Fujitsu's note are substantially similar to the terms of our note. FASL LLC products will be sold by us and Fujitsu, as FASL LLC's distributors, under the Spansion brand.

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We hold a majority voting and economic interest in FASL LLC and control its operations. Accordingly, we will consolidate the operations and financial position of FASL LLC in our consolidated third quarter 2003 financial statements as of the date of commencement of FASL LLC operations. For accounting purposes, we are deemed to have acquired an incremental 10 percent interest in the existing Manufacturing Joint Venture and 60 percent interest in the assets contributed by Fujitsu. In addition, we are deemed to have sold 40 percent of our interest in our contributed assets, excluding our interest in the existing Manufacturing Joint Venture. An independent fair market value appraisal for this transaction is currently in process and is expected to be completed by the end of the third quarter. Based on the results of the appraisal, during the third quarter of 2003, we may be required to recognize a gain or loss on the sale of our interest in the assets contributed to FASL LLC. At this time we cannot estimate the results of the appraisal or the gain or loss, if any, that would be recognized as a result of this transaction.

### *Amendment of Loan Agreement*

On July 7, 2003, we amended and restated our secured revolving credit facility with a consortium of banks led by a domestic financial institution (the July 2003 Loan Agreement). The July 2003 Loan Agreement provides for a secured revolving line of credit of up to \$200 million that expires in July 2007. We can borrow, subject to amounts that may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from OEMs and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of net domestic cash (as defined in the July 2003 Loan Agreement) we hold declines below \$200 million. At June 29, 2003, net domestic cash, as defined, totaled \$416 million. The July 2003 Loan Agreement restricts our ability to pay cash dividends on its common stock if the level of our net domestic cash declines below \$200 million. Our obligations under the July 2003 Loan Agreement are secured by all of our accounts receivable, inventory, general intangibles and the related proceeds. FASL LLC's assets, accounts receivable, inventory and general intangibles are not pledged as security for our obligations. As of June 29, 2003, no amount was outstanding under the July 2003 Loan Agreement.

### *Amendment and Assignment of September 2002 Loan Agreement*

On July 11, 2003, we amended and restated our September 2002 Loan Agreement and assigned it to FASL LLC. Under the Amended and Restated Term Loan Agreement (the July 2003 FASL Term Loan), amounts borrowed bear interest at a variable rate of LIBOR plus four percent, which was 5.1 percent at June 29, 2003. Repayment occurs in equal, consecutive, quarterly principal and interest installments ending in September 2006. As of June 29, 2003, \$96 million was outstanding under the September 2002 Loan Agreement. Following the assignment, as of July 11, 2003, \$89.4 million was outstanding under the July 2003 FASL Term Loan. We guaranteed 60 percent of this amount. FASL LLC must also comply with additional financial covenants if its net domestic cash balance (as defined in the July 2003 FASL Term Loan Agreement) declines below \$130 million through the first quarter of 2004, \$120 million between the second quarter of 2004 through 2005 and \$100 million in 2006. At any time that net domestic cash is less than these thresholds, FASL LLC must also maintain minimum levels of adjusted tangible net worth and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and comply with a minimum fixed charge coverage ratio.

### *Manufacturing Joint Venture Loan Refinancing*

As a result of the execution of the FASL LLC agreements with Fujitsu, the existing Manufacturing Joint Venture's third party loans were refinanced from the proceeds of a term loan in the aggregate principal amount of \$150 million entered into between a wholly owned subsidiary of FASL LLC and a Japanese financial institution. Fujitsu guaranteed 100 percent of the amounts outstanding under this facility. In turn, we agreed to pay Fujitsu 60 percent of any amount paid by Fujitsu under its guarantee of this facility. Because we will consolidate FASL LLC, the full amount of the third party loan will be reflected in our consolidated financial statements.

### *Sale Leaseback Transaction*



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On July 18, 2003, a wholly owned subsidiary of FASL LLC entered into a sale and leaseback transaction for certain equipment with a third party financial institution in the amount of \$100 million. We guaranteed up to approximately \$50 million, or 50 percent, of the outstanding obligations under the lease arrangement.

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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	Holder 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 June 29, 2003, we had \$96 million of outstanding under our September 2002 term loan, and our subsidiaries had approximately \$1,027 million of outstanding indebtedness and other liabilities. In addition, our joint ventures had \$422 million of indebtedness, 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.
Purchase of debentures by us at the option of the holder	Holder 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.



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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	<p>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 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.</p> <p><b>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.</b></p>
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 94086, Attention: Legal Department, or call (408) 732-2400 and ask to speak to someone in our Legal Department.**

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**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 involve numerous risks and uncertainties and 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, approximately, intends, forma, estimates, or anticipates or the negative of these words and phrases or other variations of these words and phrases or comparable terminology, or by discussions of strategy, plans or intentions. 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. The forward-looking statements relate to, among other things:

operating results;

anticipated cash flows;

capital expenditures;

gross margins;

adequacy of resources to fund operations and capital investments;

our ability to achieve cost reductions in the amounts and time frames anticipated;

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

our ability to produce microprocessors in the volume required by customers;

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

our ability to introduce in a timely manner and achieve market acceptance for our eighth-generation microprocessors and produce them in volumes required by the market at acceptable yields;

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

a recovery in the economy leading to increased demand for our products;

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a recovery in the communication and networking industries leading to an increase in the demand for Flash memory products;

the effect of foreign currency hedging transactions;

the process technology transitions in our submicron integrated circuit manufacturing facilities located in Dresden, Germany, known as Fab 30 and in FASL LLC's manufacturing facilities located in Austin, Texas, Fab 25 and Aizu-Wakamatsu, Japan (FASL JV2 and FASL JV3);

the financing and further construction of the FASL LLC's manufacturing facilities; and

our ability to successfully integrate the operations of our newly formed majority owned subsidiary, FASL LLC, and sustain any benefit from such joint venture.

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.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, AMD Athlon, AMD Duron, AMD Opteron are trademarks of Advanced Micro Devices, Inc. in the United States and/or other jurisdictions. Spansion and MirrorBit are trademarks of FASL LLC in the United States and/or other jurisdictions. Other terms used to identify companies and products may be trademarks of their respective owners.

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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 have experienced substantial declines 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 net sales for the second quarter of 2003 were \$645 million compared to \$715 million for the first quarter of 2003. The decline was due in part to weaker than anticipated sales of our products in Asia and Europe. Our total revenues for 2002 were \$2,697 million compared to \$3,892 million for 2001. This decline was due primarily to reduced demand for our products resulting from the current economic slowdown and our decision primarily in the third and fourth quarters of 2002 to limit shipments and to accept receipt of product returns from certain customers, each as part of our efforts to reduce excess PC processor inventory in the overall supply chain. We incurred a net loss of \$1.3 billion for 2002 compared to a net loss of \$61 million for 2001. Reduced end-user demand, underutilization of our manufacturing capacity and other factors could adversely affect our business in the near term and we may experience additional 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 is currently experiencing a severe downturn, that is adversely affecting, and may continue to 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 and continues today, has been 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 current 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.



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If current conditions do not improve in the near term 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 continue to be adversely affected.

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*Fluctuations in the personal computer market may continue to materially adversely affect us.* Our business is, and particularly our PC processor product lines are, tied to the personal computer industry. Industry-wide fluctuations in the PC marketplace, including the current industry downturn that commenced in 2001 and continues, have materially adversely affected us and may materially adversely affect us in the future. If we continue to experience a sustained reduction in the growth rate of PCs sold, sales of our microprocessors may not grow and may even decrease.

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 Computer Corporation, could further materially adversely affect us.

*We plan for significant capital expenditures in 2003 and beyond 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 to continue to make significant capital expenditures to support our microprocessor and Flash memory products both in the near and long term, including approximately \$725 million during 2003. The capital expenditures projected for 2003 include those relating to the continued facilitization of Fab 30 and those relating to FASL LLC. These capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may also 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 would have a material adverse effect on us.

In March 1997, AMD Saxony entered into the Dresden loan agreements and other related agreements. These agreements require that we partially fund Fab 30 project costs in the form of subordinated and revolving loans to, or equity investments in, AMD Saxony. We currently estimate that the maximum construction and facilitization costs to us of Fab 30 will be \$2.7 billion when fully equipped by the end of 2005. We had invested \$2.2 billion as of June 29, 2003. If we are unable to meet our obligations to AMD Saxony as required under these agreements, we will be in default under the Dresden loan agreements, which would permit acceleration of \$627 million of indebtedness, as well as acceleration by cross-default of our obligations under our other borrowing arrangements.

FASL LLC, our majority owned subsidiary, continues to facilitate its manufacturing facilities in Aizu-Wakamatsu, Japan, known as FASL JV2 and FASL JV3 and in Austin, Texas, known as Fab 25. We expect that the maximum facilitization costs of FASL JV2 and FASL JV3 to FASL LLC will be \$1.8 billion when fully equipped.

In addition, during the four-year period commencing on June 30, 2003, we are 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.

*If we are not successful in integrating the operations of our new majority owned subsidiary, FASL LLC, we could be materially adversely affected.* Effective June 30, 2003, we and Fujitsu Limited executed several agreements which resulted in the integration of our and Fujitsu's flash memory operations in the third quarter. We contributed our Flash memory group, our Fab 25 in Austin, Texas, our Submicron Development Center in Sunnyvale, California, and our assembly and test operations in Thailand, Malaysia and China. Fujitsu contributed its Flash memory business division and its Fujitsu Microelectronics (Malaysia) Sdn. Bhd. final assembly and test operations. We, together with Fujitsu, contributed our existing Manufacturing Joint Venture, which became a wholly owned subsidiary of FASL LLC.

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Any benefits of 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;

the possibility of gains or losses due to the appraisal process in the third quarter; 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.

*External factors, such as the SARS virus and potential terrorist attacks and other acts of violence or war, may materially adversely affect us.* Concerns about the severe acute respiratory syndrome (SARS) virus are having an adverse effect upon the Asian economies and have affected and may continue to affect 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. There have been no cases of SARS affecting our operations to date. Finally, the spread of SARS and the extent of local preventative measures could affect the production capabilities of manufacturers of our PCS products, which are located in Taiwan, or their ability to ship products to us on a timely basis.

Terrorist attacks may negatively affect our operations. These attacks or 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 included 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 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 or your investment.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in or exacerbate economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results, revenues and costs and 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.



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*Intel Corporation's dominance of the PC processor market may limit our ability to compete effectively in that market.* Intel has dominated the market for microprocessors used in PCs for many years. As a result, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the market requires of Intel's competitors. In addition, the financial strength of Intel allows it to market its product 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 us 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;

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

user brand loyalty.

We expect Intel to maintain its dominant position in the marketplace as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly expends substantially greater amounts on research and development than we do.

In marketing our microprocessors to OEMs and dealers, 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.

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 AMD Opteron and AMD Athlon 64 microprocessors will depend on our ability to ensure that PC platforms are designed to support our microprocessors. A failure of the designers and producers of motherboards, chipsets and other system components to support our microprocessor offerings would have a material adverse effect on us.

*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. 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.



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To be successful, we must increase sales of our 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:

our ability to continue offering new higher performance microprocessors competitive with Intel's product offerings;

our ability to introduce and create successful marketing positions for the AMD Opteron and the upcoming AMD Athlon 64 microprocessors, which rely in part on market acceptance and demand for 64-bit microprocessors based on AMD64 technology.

our ability to maintain and improve the successful marketing position of the AMD Athlon XP microprocessor, which relies in part on market acceptance of a metric based on overall processor performance versus processor clock speed (measured in megahertz frequency);

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;

the pace at which we expect to be able to convert production in Fab 30 to 90 nanometer copper interconnect process technology;

our ability to fund the acquisition of 300mm wafer fabrication capacity that will be required for long-term competitiveness;

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 continuing success of our AMD Athlon microprocessors and the success of future generations of microprocessors, most immediately the AMD Opteron processor, and later this year the AMD Athlon 64 processor. If we fail to achieve continued and expanded market acceptance of our microprocessors, we may be materially adversely affected.

*We must introduce in a timely manner, and achieve 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 plan to introduce our AMD Athlon 64 processors in September 2003. These processors are designed to provide high performance for both 32-bit and 64-bit applications in servers and workstations and in desktop and mobile PCs. The success of these processors is subject to risks and uncertainties including our ability to produce them in a timely manner on new process technologies, including silicon-on-insulator technology, in the volume and with the performance and feature set required by customers; their market acceptance; the availability, performance and feature set of motherboards and chipsets designed for our eighth-generation processors; and the support of the operating system and application program providers for our 64-bit instruction set.





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*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 support from Microsoft in its operating systems. If Microsoft does not continue to provide support in its operating systems for our x86 instruction sets, including our 64-bit technology introduced with our AMD Opteron and upcoming AMD Athlon 64 processors, independent software providers may forego designing their software applications to take advantage of our innovations. If we fail to retain the support and certification of Microsoft, our ability to market our processors could be materially adversely affected.

*The completion and impact of our restructuring program and cost reductions could adversely affect us.* We formulated the 2002 Restructuring Plan to address the continuing industry-wide weakness in the semiconductor industry by adjusting our cost structure to industry conditions. Pursuant to the 2002 Restructuring Plan, we plan to reduce our fixed costs as a percentage of total costs over time from approximately 80 percent to approximately 70 percent. We have also reduced our expenses in the second quarter by approximately \$37 million compared to fourth quarter of 2002. As a result, we expect total expenses in 2003 to be reduced by approximately \$150 million, compared to 2002, based on current product demand forecasts. We cannot, however, be sure that the goals of the 2002 Restructuring Plan will be realized. If we do not execute the 2002 Restructuring Plan well, the ultimate effects of it could prove to be adverse.

*Weak market demand for our Spansion Flash memory products, the loss of a significant customer in the high-end mobile telephone market, or a lack of market acceptance of our MirrorBit technology may have a material adverse effect on us.* Overall demand for Flash memory devices has been weak due to the sustained downturn in the communications and networking equipment industries and excess inventories held by our customers. Since the third quarter of 2002, our Flash memory product sales growth came almost entirely based on strength in the high-end mobile phone market. To date, our sales in that market have been concentrated in a few customers. In addition, we expect competition in the market for flash memory devices to continue to increase as competing manufacturers introduce new products and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and Intel and other competitors introduce new competing products. A decline in unit sales of our Flash memory devices, lower average selling prices, or a loss of a significant customer in the high-end mobile phone market, would have a material adverse effect on us.

In July 2002, we commenced production shipments of our first product with MirrorBit technology. Our MirrorBit technology is a new 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 our Flash memory products 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 memory products are based on the NOR architecture and a significant market shift to the NAND architecture could materially adversely affect us.* Spansion memory products are based on the NOR architecture, and any significant shift in the marketplace to products based on the NAND or other architectures will reduce the total market available to us and therefore reduce our market share, which could have a material adverse effect on us.

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*Worldwide economic and political conditions may affect demand for our products and slow payment by our customers.* The 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, has adversely affected demand for our microprocessors, Flash memory devices and other integrated circuits. A continued decline of the worldwide semiconductor market or a significant 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 continues or worsens 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 utilization rates may adversely affect us.* At times we underutilize our manufacturing facilities as a result of reduced demand for certain of our products. We are substantially increasing our and FASL LLC's manufacturing capacity by making significant capital investments in Fab 30, Fab 25, FASL JV2, FASL JV3 and the test and assembly facility in Suzhou, China. If the increase in demand for our products is not consistent with our expectations, we may underutilize our 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.

There may also be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing 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.

Further, during periods when we are implementing new process technologies, our or FASL LLC's manufacturing facilities may not be fully productive. A substantial delay in the technology transitions in Fab 30 to smaller process technologies employing silicon-on-insulator technology could have a material adverse effect on us.

At this time, the most significant risk is underutilization of our manufacturing capacity.

*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. 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.

From time to time, we have experienced difficulty in beginning production at new facilities, transferring production to other facilities, and in effecting transitions to new manufacturing processes that have caused us to suffer delays in product deliveries or reduced yields. We cannot be sure that we will not 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, transferring production to other facilities, 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.

*We cannot be certain that our substantial investments in research and development of process technologies will lead to 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 of process technologies in an effort to improve the technologies and equipment used to fabricate our products. For example, the successful development and

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implementation of silicon-on-insulator technology is critical to our AMD Opteron and upcoming AMD Athlon 64 microprocessors. In addition, we have an agreement with IBM to develop future generations of logic process technology. However, we cannot be certain that we will be able to develop or obtain or successfully implement leading-edge process technologies needed to fabricate future generations of our products profitably. Further, 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.

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*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 are available from a limited number of suppliers. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we are unable to procure certain of these materials, we 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 manufacturing facilities in Malaysia, Thailand, China and Japan. We manufacture our microprocessors in Germany. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers and 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;

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 which could have a material adverse effect on us.

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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.

*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 adversely affected.

*Our operating results are subject to substantial seasonal fluctuations. Our operating results tend to vary seasonally.* For example, our revenues are generally higher in the fourth quarter than the third quarter of each year. 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 PC market during the winter holiday season. In recent quarters, a substantial portion of our quarterly sales have been made in the last month of the quarter.

*Uncertainties involving the ordering and shipment of, and payment for, our products could materially adversely affect us.* Our sales are typically made pursuant to individual purchase orders, and we generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders 30 days prior to shipment without incurring a significant penalty. We base our inventory levels on customers' estimates of demand for their products, which is difficult to predict. This difficulty may be compounded when we sell to original equipment manufacturers indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to failure of anticipated orders to materialize could result in excess or obsolete inventory, which could result in write-downs of inventory.

During 2002, the markets in which our customers operate were characterized by a decline in end-user demand which reduced visibility of future demand for our products and resulted in high levels of inventories in the PC industry supply chain. In some cases, this led to delays in payments for our products. While we believe inventories in the supply chain are at reasonable levels, market conditions are uncertain and these factors could materially adversely affect our revenues.

*Our price protection obligations and return rights under specific provisions in our agreements with distributors may adversely affect us.* 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. The price protection and return rights we offer to our distributors could materially adversely affect us if distributors exercise these rights as a result of an unexpected significant decline in the price of our products or otherwise.

*If we cannot adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses.* We may not be able to adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Further, patent applications that we file may not be issued. Despite our efforts to protect our rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to cost-effectively monitor compliance with, and enforce, our intellectual property on a worldwide basis.



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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 cannot assure you that all necessary licenses can be obtained on satisfactory terms, if at all. 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 us. We cannot assure you that litigation related to the intellectual property rights of us and others will always be avoided or successfully concluded.

*Failure to comply with any of the applicable environmental regulations could result in a range of consequences including fines, suspension of production, alteration of manufacturing process, cessation of operations or sales, and criminal and civil liabilities.* Existing or future regulations could require us to procure expensive pollution abatement or remediation equipment; to modify product designs; or to incur other expenses associated with compliance with environmental regulations. Any failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business.

*Our corporate headquarters and FASL LLC's manufacturing facilities in Japan are located in an earthquake zone and thus*