UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended October 1, 2000

OR

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

For the transition period from __________ to __________

Commission File Number 1-7882

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_______

The number of shares of $0.01 par value common stock outstanding as of November 2, 2000: 313,411,939

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Part I. Financial Information

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(Thousands except per share amounts)

<TABLE>
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	Quarter Ended		Nine Months Ended	
	October 1, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>
Net sales	$ 1,206,549	$ 662,192	$ 3,469,015	$ 1,888,894
Expenses:				
Cost of sales	639,010	474,119	1,857,334	1,382,889
Research and development	162,764	157,626	479,712	484,850
Marketing, general and administrative	141,931	129,437	438,259	381,267
Restructuring and other special charges	-	-	-	32,530
	943,705	761,182	2,775,305	2,281,536
Operating income (loss)	262,844	(98,990)	693,710	(392,642)
Gain on sale of Legerity	336,899	-	336,899	-
Gain on sale of Vantis	-	-	-	432,059
Interest income and other, net	19,789	6,757	60,852	24,777
Interest expense	(17,382)	(18,033)	(40,105)	(56,883)
Income (loss) before income taxes, equity in net income of joint venture and extraordinary item	602,150	(110,266)	1,051,356	7,311
Provision for income taxes	175,009	-	226,787	167,350
Income (loss) before equity in net income of joint venture and extraordinary item	427,141	(110,266)	824,569	(160,039)
Equity in net income of joint venture	4,406	4,721	3,469	6,023

Income (loss) before extraordinary item	431,547	(105,545)	828,038	(154,016)
Extraordinary item - loss on debt retirement net of tax benefit	22,980	-	22,980	-
Net income (loss)	$ 408,567	$ (105,545)	$ 805,058	$ (154,016)
Net income (loss) per common share:				
Basic:				
Income (loss) before extraordinary item	$ 1.38	$ (0.36)	$ 2.69	$ (0.52)
Extraordinary item	$ 0.07	$ -	$ 0.08	$ -
Net income (loss)	$ 1.31	$ (0.36)	$ 2.61	$ (0.52)
Diluted:				
Income (loss) before extraordinary item	$ 1.24	$ (0.36)	$ 2.42	$ (0.52)
Extraordinary item	$ 0.06	$ -	$ 0.06	$ -
Net income (loss)	$ 1.18	$ (0.36)	$ 2.36	$ (0.52)
Shares used in per share calculation:				
Basic	311,943	295,223	307,942	293,934
Diluted	352,893	295,223	350,082	293,934

</TABLE>

See accompanying notes

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands)

<TABLE>
<CAPTION>

<S>	<C> October 1, 2000 (unaudited)	<C> December 26, 1999 *
Assets		
Current assets:		
Cash and cash equivalents	$ 582,299	$ 294,125
Short-term investments	651,198	302,386

Total cash, cash equivalents and short-term investments	1,233,497	596,511
Accounts receivable, net	687,692	429,809
Inventories:		
Raw materials	10,183	10,236
Work-in-process	173,613	97,143
Finished goods	106,630	90,834
Total inventories	290,426	198,213
Deferred income taxes	73,981	55,956
Prepaid expenses and other current assets	167,253	129,389
Total current assets	2,452,849	1,409,878
Property, plant and equipment, at cost	5,205,903	4,938,302
Accumulated depreciation and amortization	(2,700,102)	(2,415,066)
Property, plant and equipment, net	2,505,801	2,523,236
Investment in joint venture	266,232	273,608
Other assets	147,110	170,976
	$ 5,371,992	$ 4,377,698
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 387,019	$ 387,193
Accrued compensation and benefits	175,458	91,900
Accrued liabilities	289,372	273,689
Income taxes payable	25,696	17,327
Deferred income on shipments to distributors	113,755	92,917
Current portion of long-term debt, capital lease obligations and other	73,026	47,626
Total current liabilities	1,064,326	910,652
Deferred income taxes	182,977	60,491
Long-term debt, capital lease obligations and other, less current portion	1,223,475	1,427,282
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value	3,226	2,992
Capital in excess of par value	1,311,042	1,120,460
Retained earnings	1,678,293	873,235
Accumulated other comprehensive loss	(91,347)	(17,414)
Total stockholders' equity	2,901,214	1,979,273
	$ 5,371,992	$

4,377,698

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</TABLE>

* Amounts as of December 26, 1999 were derived from the December 26, 1999 audited financial statements.

See accompanying notes

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ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Thousands)

	Nine Months Ended	
	October 1, 2000	September 26, 1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	$ 805,058	$ (154,016)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on sale of Legerity	(336,899)	-
Gain on sale of Vantis	-	(432,059)
Extraordinary item - loss on debt retirement net of tax benefit	22,981	-
Depreciation and amortization	429,461	385,590
Net change in deferred income taxes	104,461	164,343
Restructuring and other special charges	-	25,038
Foreign grant and subsidy income	(27,975)	(37,852)
Net loss on disposal of property, plant and equipment	7,354	8,305
Net gain realized on sale of available-for-sale securities	-	(4,250)
Undistributed income of joint venture	(3,469)	(6,023)
Recognition of deferred gain on sale of building	(1,261)	(1,260)
Net compensation recognized under employee stock plans	3,712	399
Changes in operating assets and liabilities:		
Customer deposits under purchase agreements	142,500	-
Net increase in receivables, inventories, prepaid expenses and other assets	(368,774)	(104,551)
Income tax benefits from employee stock option exercises	71,197	-
Net increase in payables and accrued liabilities	98,332	89,749
Increase (decrease) in income tax payable	8,369	(12,793)
Net cash provided by (used in) operating activities	955,047	(79,380)
Cash flows from investing activities:		
Proceeds from sale of Legerity	375,000	-
Proceeds from sale of Vantis	-	454,269
Purchase of property, plant and equipment	(577,177)	(495,044)
Proceeds from sale of property, plant and equipment	12,243	3,342
Purchase of available-for-sale securities	(2,709,408)	(1,274,591)
Proceeds from sale of available-for-sale securities	2,359,185	1,315,617
Net cash (used in) provided by investing activities	(540,157)	3,593
Cash flows from financing activities:		
Proceeds from borrowings	145,910	22,864
Retirement of debt and payments on debt and capital lease obligations	(394,306)	239,392
Proceeds from issuance of stock	115,907	33,143
Net cash used in financing activities	(132,489)	(183,385)
Effect of exchange rate changes on cash and cash equivalents	5,773	(9,469)
Net increase (decrease) in cash and cash equivalents	288,174	(268,641)
Cash and cash equivalents at beginning of period	294,125	361,908
Cash and cash equivalents at end of period	$ 582,299	$ 93,267
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 84,831	$ 68,159
Income taxes	$ 20,908	$ 10,220

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</TABLE>

See accompanying notes
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. (the Company or AMD) have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year ending December 31, 2000. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The interim financial statements should be read in conjunction with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 26, 1999.

The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended October 1, 2000 and September 26, 1999 each included 13 weeks.

2. Available-For-Sale Securities

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

(Thousands)	October 1, 2000
Cash equivalents:	
Bank note	$ 46,970
Money market funds	315,891
Federal agency note	9,678
Total cash equivalents	$ 372,539
Short-term investments:	
Federal agency notes	$ 33,331
Money market auction rate preferred stocks	246,537
Certificates of deposit	19,965
Corporate notes	9,412
Commercial paper	341,953
Total short-term investments	$ 651,198
Long-term investments:	
Equity investments	$ 23,372
Commercial paper	9,999
Treasury notes	2,105
Total long-term investments (included in other assets)	$ 35,476

3. Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average common shares outstanding. Diluted net income (loss) per common share is computed using the weighted-average common shares outstanding plus any potential dilutive securities. Dilutive securities include stock options, restricted stock and shares issuable upon the conversion of convertible debt. These potential common shares are not included in the computation of net loss per share for the periods ended September 26, 1999 as their effect is antidilutive. The following table sets forth the components of basic and diluted income (loss) per common share:

<TABLE>
<CAPTION>

Quarter Ended		Nine Months Ended	
October 1,	September 26,	October 1,	September 26,

(Thousands except per share data)	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Numerator:				
Numerator for basic income (loss) per common share before extraordinary item	$431,547	$(105,545)	$828,038	$(154,016)
Numerator for basic extraordinary item per common share	22,980	-	22,980	-
Numerator for basic net income (loss) per common share	$408,567	$(105,545)	$805,058	$(154,016)
Numerator for basic income (loss) per common share before extraordinary item	$431,547	$(105,545)	$828,038	$(154,016)
Effect of adding back interest expense associated with convertible debentures	6,410	-	20,381	-
Numerator for diluted income (loss) per common share before extraordinary item	437,957	(105,545)	848,419	(154,016)
Numerator for diluted extraordinary loss per common share	22,980	-	22,980	-
Numerator for diluted net income (loss) per common share	$414,977	$(105,545)	$825,439	$(154,016)
Denominator:				
Denominator for basic income (loss) per common share --weighted-average shares	311,943	295,223	307,942	293,934
Effect of dilutive securities:				
Employee stock options	12,996	-	14,172	-
Convertible debentures	27,954	-	27,969	-
Dilutive potential common shares	40,950	-	42,141	-
Denominator for diluted income (loss) per common share --adjusted weighted-average shares	352,893	295,223	350,083	293,934
Income (loss) per common share:				
Basic:				
Income (loss) before extraordinary item	$ 1.38	$ (0.36)	$ 2.69	$ (0.52)
Extraordinary item; debt	$ 0.07	$ -	$ 0.08	$ -
Net income (loss)	$ 1.31	$ (0.36)	$ 2.61	$ (0.52)
Diluted:				
Income (loss) before extraordinary item	$ 1.24	$ (0.36)	$ 2.42	$ (0.52)
Extraordinary item: debt	$ 0.06	$ -	$ 0.06	-
Net income (loss)	$ 1.18	$ (0.36)	$ 2.36	$ (0.52)

</TABLE>

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

4. Investment in Joint Venture

In 1993, AMD and Fujitsu Limited formed a joint venture, Fujitsu AMD Semiconductor Limited (FASL), for the development and manufacture of non-volatile memory devices. FASL operates advanced integrated circuit manufacturing facilities in Aizu-Wakamatsu, Japan, to produce Flash memory devices. FASL also uses foundry facilities in Iwate, Japan and Gresham, Oregon. The Company's share of FASL is 49.992 percent, and the investment is being accounted for under the equity method. At October 1, 2000, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars

resulted in a decrease in the investment in FASL of $3,549,000. The following are the significant FASL related-party transactions and balances recorded by AMD:

<TABLE>
<CAPTION>

	Quarter Ended		Nine Months Ended	
(Thousands)	October 1, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>
Royalty income	$ 8,236	$ 5,731	$ 20,139	$ 16,468
Purchases	107,318	73,159	261,977	191,935

<CAPTION>

(Thousands)	October 1, 2000	December 26, 1999
<S>	<C>	<C>
Royalty receivable	$ 14,736	$ 6,601
Accounts payable	65,499	35,701

</TABLE>

The following is condensed unaudited financial data of FASL:

<TABLE>
<CAPTION>

	Quarter Ended		Nine Months Ended	
(Thousands)	October 1, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>
Net sales	$ 200,809	$ 139,868	$ 502,838	$ 355,538
Gross profit	19,513	12,335	22,811	31,005
Operating income	18,599	11,430	20,276	28,873
Net income	11,270	6,589	12,115	16,469

</TABLE>

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

5. Segment Reporting

In the third quarter of 2000, AMD operated in three reportable segments: the Core Products segment, the Voice Communications segment and the Foundry Services segment. AMD revised its segments in the third quarter of fiscal 2000 to reflect the sale of 90 percent of its former voice communications products business, Legerity, Inc., formerly a wholly owned subsidiary of AMD. Prior period segment information has been restated to conform to the current period presentation. The Core Products segment includes microprocessors, core logic products, embedded processors, Flash memory devices, networking products and Erasable Programmable Read-Only Memory (EPROM) devices. The Voice Communications segment included telecommunication products. Following the sale of Legerity on August 4, 2000, the Company will not have any further sales in the Voice Communications segment. The Foundry Services segment includes sales by Vantis, AMD's former programmable logic subsidiary,

prior to its sale and fees for services provided to Legerity and Vantis subsequent to their sales. After the third quarter of 2000, Voice

Communications will no longer be a reportable segment as a result of its sale.

<TABLE>
<CAPTION>

(Thousands) Net sales:	Quarter Ended October 1, 2000	Quarter Ended September 26, 1999	Nine Months Ended October 1, 2000	Nine Months Ended September 26, 1999
<S>	<C>	<C>	<C>	<C>
Core Products segment				
External customers	$1,143,488	$ 602,143	$ 3,239,035	$ 1,759,189
Intersegment sales	-	-	-	32,626
	1,143,488	602,143	3,239,035	1,791,815
Voice Communications segment external customers	17,427	41,774	140,309	108,966
Foundry Services segment external customers	45,634	18,273	89,671	20,739
Elimination of intersegment sales	-	-	-	(32,626)
Total Net sales	$1,206,549	$ 662,190	$3,469,015	$1,888,894
Segment operating income (loss):				
Core Products segment	$ 267,883	$ (99,414)	$ 640,591	$ (398,591)
Voice Communications segment	(3,560)	1,996	32,387	(501)
Foundry Services segment	(1,479)	(1,572)	20,732	6,450
Total segment operating income (loss)	262,844	(98,990)	693,710	(392,642)
Interest income and other, net	19,789	6,757	60,852	24,777
Gain on sale of Legerity	336,899	-	336,899	-
Gain on sale of Vantis	-	-	-	432,059
Interest expense	(17,382)	(18,033)	(40,105)	(56,883)
Provision for income taxes	(175,009)	-	(226,787)	(167,350)
Equity in net income of FASL	4,406	4,721	3,469	6,023
Extraordinary item - loss on debt retirement net of tax benefit	(22,980)	-	(22,980)	-
Net income (loss)	$ 408,567	$(105,545)	$ 805,058	$ (154,016)

</TABLE>

6. Comprehensive Income (Loss)

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

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

<TABLE>
<CAPTION>

	Quarter Ended	Nine Months Ended

(Thousands)	October 1, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$408,567	$(105,545)	$805,058	$(154,016)
Foreign currency translation adjustments	(39,760)	49,423	(72,523)	19,433
Unrealized gains on securities, net of tax:				
Unrealized gains (losses) on investments arising during the period	(3,974)	6,377	(1,410)	14,246
Less: Reclassification adjustment for gains included in earnings	-	-	-	(3,453)
Other comprehensive gain (loss)	(43,734)	55,800	(73,933)	30,226
Comprehensive income (loss)	$364,833	$ (49,745)	$731,125	$(123,790)

</TABLE>

The components of accumulated other comprehensive loss are as follows:

<TABLE>
<CAPTION>

(Thousands)	October 1, 2000	December 26, 1999
<S>	<C>	<C>
Unrealized gain on investments, net of tax	$ 12,868	$ 14,278
Cumulative translation adjustments	(104,215)	(31,692)
	$ (91,347)	$(17,414)

</TABLE>

7. Sale of Legerity

On August 4, 2000, the Company completed the sale of 90 percent of Legerity for approximately $375 million in cash. Prior to the sale, Legerity was a wholly owned subsidiary of AMD, engaging in voice communication products business. Net assets sold totaled $30 million and the Company incurred $8 million in selling expenses resulting in a gain on the sale of $337 million. The Company has retained a 10 percent ownership interest in the business and also has a warrant to acquire approximately an additional 10 percent. As part of the transaction, the Company negotiated various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

8. Restructuring and Other Special Charges

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

The charges against accruals for restructuring and other special charges through the quarter ended October 1, 2000 are as follows:

<TABLE>
<CAPTION>

(Thousands)	Severance and Employee Benefits	Facilities	Equipment	Equipment Disposal Costs	Discontinued System Projects	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Q1 99 provision	$ 779	$ -	$ 8,148	$ -	$ 6,089	$ 15,016
Non-cash charges	-	-	(8,148)	-	(6,089)	(14,237)
Accruals at March 28, 1999	779	-	-	-	-	779
Q2 99 provision	2,245	968	10,801	3,500	-	17,514
Cash charges	(1,360)	-	-	-	-	(1,360)
Non-cash charges	-	-	(10,801)	-	-	(10,801)
Accruals at June 27, 1999	1,664	968	-	3,500	-	6,132
Cash charges	(1,664)	(35)	-	(1,067)	-	(2,766)
Accruals at September 26, 1999	-	933	-	2,433	-	3,366
Q4 99 provision	-	-	4,820	880	-	5,700
Cash charges	-	(21)	-	(870)	-	(891)
Non-cash charges	-	-	(4,820)	-	-	(4,820)
Accruals at December 26, 1999	-	912	-	2,443	-	3,355

Cash charges	-	(307)	-	(106)	-	(413)
Accruals at April 2, 2000	-	605	-	2,337	-	2,942
Cash charges	-	-	-	(2,337)	-	(2,337)
Accruals at July 2, 2000	-	605	-	-	-	605
Cash charges	-	(72)	-	-	-	(72)
Accruals at October 1, 2000	$ -	$ 533	$ -	$ -	$ -	$ 533

</TABLE>

The Company anticipates that the remaining accruals for closed sales office facilities will be utilized over the period through lease termination in the second quarter of 2002.

9. Debt

On August 2, 2000, the Company repurchased $356 million of the $400 million aggregate principal amount of its 11% Senior Secured Notes due 2003 (the Senior Secured Notes) at a premium of $36 million. This amount has been recorded as an extraordinary loss of approximately $23 million net of a tax benefit of $13 million.

10. Contingencies

Ellis Investment Co., Ltd., et al v. AMD, et al. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc., et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. On September 5, 2000, the parties stipulated to and the United States District Court for the Northern District of California entered an order whereby all plaintiffs' claims and causes of action against all defendants were voluntarily dismissed without prejudice.

11. New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards, or SFAS, No. 133,"Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137 and 138, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. The Company will be required to implement SFAS No. 133 as of the beginning of the Company's fiscal year 2001. The Company's foreign currency exchange rate hedging activities have been insignificant to date and the Company does not believe that SFAS No. 133 will have a material impact on its financial position, results of operations or cash flows.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" or SAB 101. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. In recent actions, the SEC has further delayed the required implementation date which, for the Company, is the fourth quarter of 2000, retroactive to the beginning of the fiscal year. The SEC has recently issued implementation guidance in the form of "Frequently Asked Questions and Answers." The Company's preliminary conclusion is that the implementation of SAB 101 will not have a material impact on its financial position, results of operations or cash flows for the year ending December 31, 2000.

In March 2000, FASB Interpretation, or FIN, No. 44, "Accounting for Certain Transactions Involving Stock Compensation-An Interpretation of APB Opinion No. 25," was issued. FIN 44 clarifies the application of APB No. 25 for certain issues. FIN 44 clarifies the definition of employee for purposes of applying APB No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequences of various modifications to the terms of a previously fixed option or award, and the accounting for an exchange of share compensation awards in a business combination, among others. FIN 44 was effective July 1, 2000, but certain conclusions in this interpretation cover specific events that occurred after either December 15, 1998 or January 12, 2000. The Company's management believes that FIN 44 will not have a significant effect on the Company's financial position or results of operations.

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on our current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things, operating results; anticipated cash flows; capital expenditures; adequacy of resources to fund operations and capital investments; our ability to increase customer and market acceptance of AMD Athlon and AMD Duron microprocessors, our seventh-generation microprocessors; our ability to maintain average selling prices for our seventh-generation microprocessors; the effect of foreign currency hedging transactions; our new submicron integrated circuit manufacturing and design facility located in Dresden, Germany (Dresden Fab 30); our ability to ramp production in Dresden Fab 30; and the Fujitsu AMD Semiconductor Limited (FASL) manufacturing facilities. See "Financial Condition" and "Risk Factors" below, as well as such other risks and uncertainties detailed in our other Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and related notes included in this report and our audited Financial Statements and related notes as of December 26, 1999, and December 27, 1998, and for each of the three years in the period ended December 26, 1999 as filed in the Company's Annual Reports on Form 10-K.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, K86, AMD-K6, AMD Athlon, AMD Duron and 3DNow! are either trademarks or registered trademarks of Advanced Micro Devices, Inc. Vantis is a trademark of Vantis Corporation. Microsoft and Windows are either registered trademarks or trademarks of Microsoft Corporation. Pentium and Celeron are either registered trademarks or trademarks of Intel Corporation. Other terms used to identify companies and products may be trademarks of their respective owners.

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RESULTS OF OPERATIONS

During the nine months ended October 1, 2000, we participated in all three technology areas within the digital integrated circuit (IC) market - memory circuits, logic circuits and microprocessors - through (1) our Core Products segment, which consists of PC Processor products, Flash Memory products and Other IC products, (2) our Voice Communications segment, which consisted of our former Voice Communications products, and (3) our Foundry Services segment, which includes sales by our former programmable logic devices subsidiary, Vantis, prior to its sale, and service fees from Vantis and Legerity, our former Voice Communications business, subsequent to their sales. PC Processor products include AMD seventh-generation microprocessors and AMD-K6(R) family microprocessors. The Other IC products include Embedded Processors, Platform products and Networking products. The Voice Communications segment included the voice telecommunication products of Legerity.

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

On August 4, 2000, we completed the sale of 90 percent of Legerity for approximately $375 million in cash. Prior to the sale, Legerity was a wholly owned subsidiary of AMD, engaging in voice communication products business. We have retained a 10 percent ownership interest in the business and also have a warrant to acquire approximately an additional 10 percent. As part of the transaction, we negotiated various service contracts with Legerity to continue to provide, among other things, wafer fabrication and assembly, test, mark and pack services to Legerity.

On August 2, 2000, we retired approximately $356 million aggregate principal amount of our Senior Secured Notes in connection with a tender offer for those notes. We incurred a one-time extraordinary loss of $23 million in connection with the retirement of the debt.

We use a 52- to 53-week fiscal year ending on the last Sunday in December. The quarters ended October 1, 2000, July 2, 2000, and September 26, 1999 each included 13 weeks.

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

<TABLE>
<CAPTION>

	Quarter Ended	Nine Months Ended

(Millions)	October 1, 2000	July 2, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Core Products Segment:					
PC Processors	$ 625	$ 583	$ 296	$ 1,771	$ 892
Memory Products	420	362	206	1,109	499
Other IC Products	99	138	100	359	282
	1,144	1,083	602	3,239	1,673
Voice Communications Segment	17	63	42	140	109
Foundry Services Segment	46	24	18	90	107
	$ 1,207	$ 1,170	$ 662	$ 3,469	$ 1,889

</TABLE>

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

Net sales of $1,207 million for the third quarter of 2000 increased by 3 percent compared to net sales of $1,170 million for the second quarter of 2000.

PC Processor products net sales of $625 million increased 7 percent in the third quarter of 2000 compared to the second quarter of 2000. The increase in net sales was primarily due to higher unit sales of our seventh-generation microprocessors, partially offset by lower unit sales of AMD-K6 microprocessors. Overall PC Processor products sales growth in the fourth quarter of 2000 is dependent upon a successful production ramp in Dresden Fab 30, availability of chipsets and motherboards from third-party suppliers and increasing market acceptance of our seventh-generation microprocessors, as to which we cannot give any assurance.

Memory products net sales of $420 million increased 16 percent in the third quarter of 2000 compared to the second quarter of 2000 primarily as a result of strong demand for Flash memory devices, which was offset by a decline in net sales of EPROMs. Although demand for Flash memory devices has remained strong, achieving further growth in net sales of Flash memory devices in the fourth quarter of 2000 will depend upon our ability to increase our Flash memory manufacturing capacity, as to which we cannot give any assurance.

The Other IC products net sales of $99 million decreased 28 percent in the third quarter of 2000 compared to the second quarter of 2000 primarily due to decreased net sales of chipsets products and home networking products. The chipsets products decreased 88 percent when compared to the second quarter of 2000 as a result of the availability of superior chipset solutions from third-party suppliers. We plan to continue to cooperate with third-party chipset suppliers to bring superior chipset solutions to the market to support our seventh-generation microprocessors.

Voice Communications segment net sales of $17 million decreased 73 percent in the third quarter of 2000 compared to the second quarter of 2000, primarily because there were only 4 weeks of sales in the third quarter due to the sale of Legerity on August 4, 2000, as compared to a full 13 weeks of sales in the prior quarter. This will be the last quarter we will report sales by the Voice Communications segment.

In the Foundry Services segment, we received service fees of $24 million from Lattice and $22 million from Legerity in the third quarter of 2000 for a total of $46 million compared to $24 million from Lattice in the second quarter of 2000. The increase was primarily due to the service fees received from Legerity in the third quarter of 2000 as a result of the sale of Legerity on August 4, 2000.

Net Sales Comparison of Quarters Ended October 1, 2000 and September 26, 1999

Net sales of $1,207 million for the third quarter of 2000 increased by 82 percent compared to net sales of $662 million for the third quarter of 1999.

PC Processor products net sales of $625 million increased 111 percent in the third quarter of 2000 compared to the same quarter of 1999 primarily due to increased net sales of our seventh-generation microprocessors offset by a decrease in net sales of AMD-K6 microprocessors. Although unit sales of our seventh-generation microprocessors increased, average selling prices decreased as we offered versions over a broader range of performance and price points.

Memory products net sales of $420 million increased by 104 percent in the third quarter of 2000 compared to the same quarter of 1999 as a result of strong growth in demand for Flash memory devices. This increase was slightly offset by lower net sales of EPROMs.

The Other IC products net sales of $99 million in the third quarter of 2000 decreased slightly when compared to the same quarter of 1999 as a result of decreased net sales from Embedded Processors products and chipsets offset by an increase in net sales in networking products.

Voice Communications segment net sales of $17 million decreased 60 percent in the third quarter of 2000 compared to the same quarter of 1999. The decrease was primarily due to only 4 weeks of sales in the third quarter of 2000 because of the sale of Legerity on August 4, 2000, as compared to a full 13 weeks of sales in the third quarter of 1999.

In the Foundry Services segment, we received service fees of $24 million from Lattice and $22 million from Legerity in the third quarter of 2000 for a total of $46 million compared to $18 million in the same quarter of 1999. The increase in service fees was primarily due to the service fees received from Legerity in the third quarter of 2000 as a result of the sale of Legerity on August 4, 2000.

Net Sales Comparison of Nine Months Ended October 1, 2000 and September 26, 1999

Net sales of $3,469 million for the first nine months of 2000 increased by 84 percent compared to net sales of $1,889 million for the first nine months of 1999.

PC Processor products net sales of $1,771 million increased by 99 percent in the first nine months of 2000 compared to the first nine months of 1999 primarily due to increased net sales from our seventh-generation microprocessors. This increase was partially offset by decreased net sales of AMD-K6 microprocessors. Although unit sales of AMD-K6 microprocessors increased, net sales decreased due to declines in average selling prices which were caused by aggressive Intel pricing.

Memory products net sales of $1,109 million increased by 122 percent in the first nine months of 2000 compared to the first nine months of 1999 as a result of strong growth in demand for Flash memory devices. This increase was slightly offset by lower net sales of EPROMs.

The Other IC products net sales of $359 million increased by 27 percent in the first nine months of 2000 compared to the first nine months of 1999. The increase was primarily due to an increase in net sales of chipsets and networking products.

Voice Communications segment net sales of $140 million increased 28 percent in the first nine months of 2000 compared to the first nine months of 1999. The increase was primarily due to increased net sales of telecommunications line-cards, ADSL chips, and internet access applications offset by 31 weeks of sales in the first nine months of 2000 due to the sale of Legerity on August 4, 2000, as compared to a full 39 weeks of sales in the first nine months of 1999.

In the Foundry Services segment, we received service fees of $68 million from Lattice and $22 million from Legerity in the first nine months of 2000 for a total of $90 million. In the first nine months of 1999, Foundry Services revenues totaled $107 million resulting primarily from sales generated by Vantis.

Comparison of Expenses, Gross Margin Percentage and Interest

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

<TABLE>
<CAPTION>

	Quarter Ended			Nine Months Ended	
(Millions except for gross margin percentage)	October 1, 2000	July 2, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Cost of sales	$ 639	$ 613	$ 474	$ 1,857	$ 1,383
Gross margin percentage	47%	48%	28%	46%	27%
Research and development	$ 163	$ 156	$ 158	$ 480	$ 485
Marketing, general and administrative	142	152	129	438	381
Restructuring and other special charges	-	-	-	-	33
Gain on sale of Vantis	-	-	-	-	432
Gain on sale of Legerity	337	-	-	337	-
Interest income and other, net	20	20	7	61	25
Interest expense	17	11	18	40	57

</TABLE>

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

The gross margin percentage of 47 percent in the third quarter of 2000 decreased slightly from the second quarter of 2000 and increased from 28 percent in the same quarter of 1999. Gross margin percentage of 46 percent in the first nine months of 2000 increased from 27 percent in the first nine months of 1999. The slight decrease in gross margin percentage in the third quarter of 2000 compared to the second quarter of 2000 was due to the sale of Legerity. The increase in gross margin percentage in the third quarter of 2000 compared to the same quarter in 1999 and the increase in gross margin percentage in the first nine months of 2000 compared to the first nine months of 1999 were due to higher net sales of microprocessors and Flash memory devices. Higher net sales were partially offset by an increase in fixed costs. Fixed costs will continue to increase as we ramp production in Dresden Fab 30. As described below, Dresden Fab 30 went into production in the second quarter of 2000, which contributed to, and will continue to contribute to, increases in cost of sales.

Research and development expenses of $163 million in the third quarter of 2000 increased 4 percent compared to the immediately prior quarter, and increased 3 percent compared to the same quarter in 1999. The increased costs related to research and development activities for PC microprocessors. Research and development expenses of $480 million in the first nine months of 2000 decreased slightly compared to the first nine months of 1999. The decrease was primarily a result of shifting Dresden Fab 30 expenses from research and development to cost of sales in the second quarter of 2000 as Dresden Fab 30 began shipping products.

Included in research and development and cost of sales are the recognition of deferred credits on foreign capital grants and interest subsidies that were received for Dresden Fab 30. These credits of approximately $10

million per quarter (denominated in deutsche marks) will continue to be offset against Dresden Fab 30 expenses in future quarters until June 2007.

Marketing, general and administrative expenses of $142 million in the third quarter of 2000 decreased 7 percent compared to the second quarter of 2000 as a result of spending controls and discontinued discrete marketing programs. Marketing, general and administrative expenses in the third quarter of 2000 increased 10 percent compared to the third quarter of 1999. Marketing, general and administrative expenses of $438 million in the first nine months of 2000 increased 15 percent compared to the first nine months of 1999. The increases were due to increased advertising and marketing for the AMD Athlon microprocessor and retention bonuses paid in connection with the sale of Legerity.

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

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

- $24 million for the closure of a submicron development laboratory facility in the SDC, the write-off of certain equipment in the Submicron Development Center (the SDC) and the write-off of equipment taken out of service in Fab 25 related to the 0.35-micron wafer fabrication process;
- $6 million for the write-off of capitalized costs related to discontinued system projects;
- $3 million for the disposal of equipment taken out of service in the SDC;
- $4 million for severance and employee benefits for 178 terminated employees in the Information Technology department, the SDC and certain sales offices; and
- $1 million for costs of leases for vacated and unused sales offices.

As of October 2, 2000, the total cash outlay for these restructuring and other special charges was approximately $8 million.

The remaining $30 million of restructuring and other special charges consisted of non-cash charges primarily for asset write-offs. As a result of the restructuring and other special charges, we expect that depreciation that otherwise would have been incurred will be reduced by $30 million over the next several years. We anticipate that the remaining accruals of $500,000 for sales office facilities will be utilized through the second quarter of 2002.

On August 4, 2000, we completed the sale of 90 percent of Legerity for approximately $375 million in cash. Our pre-tax gain on the sale of Legerity was $337 million. We currently expect the applicable tax rate on the gain to be 37 percent.

Interest income and other, net of $20 million in the third quarter of 2000 was relatively flat compared to the second quarter of 2000 and increased 186 percent compared to the same quarter of 1999. Interest income and other, net of $61 million in the first nine months of 2000 increased 144 percent compared to the first nine months of 1999. The increase was primarily due to higher average cash balances.

Interest expense of $17 million in the third quarter of 2000 increased 55 percent compared to the second quarter of 2000. During the construction of Dresden Fab 30, we capitalized interest expense attributable to the construction in progress. Dresden Fab 30 began production at the end of the second quarter of 2000 and, consequently, we did not capitalize interest costs in the third quarter of 2000, causing our reported interest expense to increase. This increase was offset by a reduction in interest expense of $6.2 million due to retirement of a portion of our Senior Secured Notes in August 2000. Interest expense of $17 million in the third quarter of 2000 decreased 6 percent compared to the same quarter of 1999. Interest expense of $40 million in the first nine months of 2000 decreased 30 percent compared to the first nine months of 1999. The decreases were primarily due to the lower average debt balances resulting from our repayment in July 1999 of the outstanding principal balance on our $250 million four-year secured term loan, reduction in interest expenses due to retirement of a portion of our Senior Secured Notes, offset by cessation of capitalization of interest costs relating to Dresden Fab 30 as related assets have been placed into service and Dresden Fab 30 has begun manufacturing products.

Income Tax

We recorded a $175 million income tax provision in the third quarter of 2000 and no income tax provision in the third quarter of 1999. Excluding the gain on the sale of Legerity, the effective tax rates for the three and nine months ended October 1, 2000, 19 percent and 14 percent respectively, reflect the realization of previously unbenefited deferred tax assets and are higher than the equivalent tax rates on income, excluding the gain on the sale of Vantis in 1999, zero percent, as we project that income in 2000 will exceed the amount we could offset through the realization of such deferred tax assets.

Other Items

International sales as a percent of net sales were 57 percent in the third quarter of 2000 compared to 61 percent in the second quarter of 2000 and 63 percent in the third quarter of 1999. International sales were 57 percent of net sales in the first nine months of 2000 and 59 percent in the first nine months of 1999. During the third quarter of 2000, approximately 6 percent of our net sales were denominated in foreign currencies. We do not have sales denominated in local currencies in countries that have highly inflationary economies, as defined by generally accepted accounting principles. The impact on our operating results from changes in foreign currency rates individually and in the aggregate has not been significant.

Comparison of Segment Income (Loss)

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

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

<TABLE>
<CAPTION>

	Quarter Ended			Nine Months Ended	
(Millions)	October 1, 2000	July 2, 2000	September 26, 1999	October 1, 2000	September 26, 1999
<S>	<C>	<C>	<C>	<C>	<C>
Core Products	$ 268	$ 230	$ (99)	$ 641	$(398)
Voice Communications	(4)	20	2	32	(1)
Foundry Services	(1)	-	(2)	21	6
Total	$ 263	$ 250	$ (99)	$ 694	$(393)

</TABLE>

The Core Products segment operating income in the third quarter of 2000 increased 17 percent compared to the second quarter of 2000. The increase was mainly due to an increase in net sales of our seventh-generation microprocessors and Flash memory devices which more than offset higher fixed costs. The Core Products segment had operating income of $268 million in the third quarter of 2000 and operating income of $641 million in the first nine months of 2000 compared to a loss of $99 million in the third quarter of 1999 and a loss of $398 million in the first nine months of 1999 mainly due to higher net sales of our seventh-generation microprocessors and Flash memory devices in 2000 and restructuring expenses in the first quarter of 1999. The Voice Communications segment incurred an operating loss of $4 million in the third quarter of 2000 compared to operating income of $20 million in the second quarter of 2000 and operating income of $2 million in the third quarter of 1999. The Voice Communications segment operating income increased in the first nine months of 2000 compared to an operating loss in the first nine months of 1999. The loss in the first nine months of 1999 was a result of decreased net sales from telecommunications line-cards, ADSL chips, and internet access applications. AMD revised its segments in the third quarter of fiscal 2000 to reflect the sale of 90 percent of its former voice communications products business, Legerity, Inc., formerly a wholly owned subsidiary of AMD. We will not have any further sales in the Voice Communications segment.

FINANCIAL CONDITION

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

Net cash used in operating activities was $79 million in the first nine months of 1999 primarily due to the net loss of $154 million, a nonrecurring $432 million reduction in operating cash flows from the gain on the sale of Vantis in 1999, an increase of $386 million from depreciation and amortization, an increase of $164 million from deferred income taxes a decrease of $38 million from foreign grant and subsidy income not received in cash.

Net cash used in investing activities was $540 million during the first nine months of 2000 primarily due to the nonrecurring $375 million we received in 2000 from the sale of Legerity offset by $577 million from purchase of property, plant and equipment and $350 million of net purchases of available-for-sale securities. Net cash provided by investing activities was $4 million during the first nine months of 1999 primarily due to the nonrecurring $454 million we received from the sale of Vantis offset by $41 million in net proceeds from sales of available for sale securities and $3 million from proceeds from sales of property, plant and equipment.

Net cash used in financing activities was $132 million during the first nine months of 2000 primarily due to $394 million in payments on debt and capital lease obligations offset by $146 million in proceeds from borrowing activities and $116 million in proceeds from issuance of stock. Net cash used in financing activities was $183 million during the first nine months of 1999 primarily due to $239 million in payments on debt and capital lease obligations offset by $23 million in proceeds from borrowings and $33 million in proceeds from issuance of stock.

Under our Loan and Security Agreement (the Loan Agreement), which provides for a four-year secured revolving line of credit of up to $200 million, we can borrow, subject to amounts which may be set aside by the lenders, up to 85 percent of our eligible accounts receivable from Original Equipment Manufacturers (OEMs) and 50 percent of our eligible accounts receivable from distributors. We must comply with certain financial covenants if the level of domestic cash we hold declines to certain levels, or the amount of borrowings under the Loan Agreement rises to certain levels. Our obligations under the Loan Agreement are secured by a pledge of most of our accounts receivable, inventory, general intangibles and the related proceeds. As of October 1, 2000, no funds were drawn under the Loan Agreement. In addition, we had available unsecured, uncommitted bank lines of credit in the amount of $71 million, none of which was outstanding.

We plan to make capital investments of approximately $850 million during 2000. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

AMD Saxony, an indirect wholly owned German subsidiary of AMD, has constructed a fabrication facility and has installed equipment in Dresden Fab 30, which began production in the second quarter of 2000. AMD, the Federal Republic of Germany, the State of Saxony and a consortium of banks are supporting the project. We currently estimate construction and facilitization costs of Dresden Fab 30 will be $2.3 billion when fully equipped by the end of 2003. We have invested $1.2 billion as of October 1, 2000. In March 1997, AMD Saxony entered into a loan agreement and other related agreements (the Dresden Loan Agreements) with a consortium of banks led by Dresdner Bank AG. The Dresden Loan Agreements provide for the funding of the construction and facilitization of Dresden Fab 30. The funding consists of:

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

The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested $407 million to date in the form of subordinated loans to and equity in AMD Saxony. In addition to support from AMD, the consortium of banks referred to above has made available $742 million in loans to AMD Saxony to help fund Dresden Fab 30 project costs. AMD Saxony had $371 million of such loans outstanding as of October 1, 2000.

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

- guarantees of the lesser of 65 percent of AMD Saxony bank debt or $742 million;
- capital investment grants and allowances totaling $287 million; and
- interest subsidies totaling $139 million.

Of these amounts, AMD Saxony had received $284 million in capital investment grants and allowances and $29 million in interest subsidies as of October 1, 2000. The grants and subsidies are subject to conditions, including meeting specified levels of employment in December 2001 and maintaining those levels until June 2007. Noncompliance with the conditions of the grants and subsidies could result in the forfeiture of all or a portion of the future amounts to be received as well as the repayment of all or a portion of amounts received to date. As of October 1, 2000, we were in compliance with all of the conditions of the grants and subsidies.

The Dresden Loan Agreements also require that we:

- provide interim funding to AMD Saxony if either the remaining capital investment allowances or the remaining interest subsidies are delayed, such funding to be repaid to AMD as AMD Saxony receives the grants or subsidies from the State of Saxony;

- fund shortfalls in government subsidies resulting from any default under the subsidy agreements caused by AMD Saxony or its affiliates;
- guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreements up to a maximum of $98 million until Dresden Fab 30 has been completed;
- fund certain contingent obligations including obligations to fund project cost overruns, if any; and
- make funds available to AMD Saxony, after completion of Dresden Fab 30, up to approximately $65 million if AMD Saxony does not meet its fixed charge coverage ratio covenant.

Because most of the amounts under the Dresden Loan Agreements are denominated in deutsche marks, the dollar amounts set forth above are subject to change based on applicable conversion rates. We used the exchange rate at the end of the third quarter of 2000, which was approximately 2.22 deutsche marks to 1 U.S. dollar, to value the amounts denominated in deutsche marks.

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

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

Generally, any default with respect to borrowings made or guaranteed by AMD results in recourse to us of more than $10 million and if not cured by us, would result in a cross-default under the Dresden Loan Agreements and the Loan Agreement. Under certain circumstances, cross-defaults result under our Convertible Subordinated Notes due 2005 and the Dresden Loan Agreements.

In the event we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD

Saxony will be unable to complete the continued facilitization of Dresden Fab 30, and we will be in default under the Dresden Loan Agreements and the Loan Agreement, which would permit acceleration of certain indebtedness, which would have a material adverse effect on us. We cannot assure that we will be able to obtain the funds necessary to fulfill these obligations. Any such failure would have a material adverse effect on us.

FASL, a joint venture formed by AMD and Fujitsu Limited in 1993, is continuing the facilitization of its second Flash memory device wafer fabrication facility, FASL II, in Aizu-Wakamatsu, Japan. The facility, including equipment, is expected to cost approximately $1.2 billion when fully equipped. As of October 1, 2000, approximately $646 million (denominated in yen) of this cost had been funded. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. The facility, designated as JV3, is expected to cost approximately $1.4 billion when fully equipped. Capital expenditures for FASL II and JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL.

FASL capital expenditures in 2000 will continue to be funded by cash generated from FASL operations and local borrowings by FASL. However, to the extent that FASL is unable to secure the necessary funds for FASL II or JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL. As of October 1, 2000, we had no loan guarantees outstanding with respect to these loans. These planned costs are denominated in yen and are, therefore, subject to change due to foreign exchange rate fluctuations. At the end of the third quarter of 2000, the exchange rate was approximately 107.64 yen to 1 U.S. dollar, which we used to calculate the amounts denominated in yen.

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

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

RISK FACTORS

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

Microprocessor Products

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

- commercial and consumer market acceptance of our seventh-generation microprocessors;
- our ability to produce seventh-generation microprocessors in the volume and with the performance and feature set required by customers on a timely basis;
- the availability and acceptance of motherboards and chipsets designed for our seventh-generation microprocessors;
- our ability to maintain average selling prices of seventh-generation microprocessors despite aggressive Intel pricing, including market rebates and product bundling of microprocessors, motherboards, chipsets and combinations thereof;
- the successful development and installation of 0.18-micron process technology and copper interconnect technology;
- the pace at which we are able to ramp production in Dresden Fab 30 on 0.18-micron copper interconnect process technology;
- the use and market acceptance of a non-Intel processor bus (adapted by us from Digital Equipment Corporation's EV6 bus) in the design of our seventh-generation microprocessors, and the availability of chipsets from vendors who will develop, manufacture and sell chipsets with the EV6 interface in volumes required by us;
- our ability to expand our chipset and system design capabilities;
- our ability to successfully offer new higher performance versions of the AMD Athlon microprocessor competitive with Intel's Pentium III and Pentium IV

processors; and

. the availability to our customers of cost and performance competitive Static Random Access Memories (SRAMs) (including Tag chips) if Intel controls the market for SRAM production capacity through its relationships with SRAM manufacturers.

If we fail to achieve continued market acceptance of our seventh-generation microprocessors, or if chipsets and motherboards which are compatible with our seventh-generation microprocessors are not made available in volume on a timely basis, our business will be materially and adversely affected.

Investment in and Dependence on K86(TM) AMD Microprocessor Products. Our microprocessor product revenues have significantly impacted, and will continue in 2000 and 2001 to significantly impact, our overall revenues, profit margins and operating results. We plan to continue to make significant capital expenditures to support our microprocessor products both in the near and long term. These capital expenditures will be a substantial drain on our cash flow and possibly on our cash balances as well.

Our ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments we have made and continue to make related to microprocessors, depends upon success of the AMD Athlon and AMD Duron microprocessors, which are our seventh-generation Microsoft Windows compatible microprocessors, the AMD-K6 microprocessors with 3DNow! technology and future generations of K86 microprocessors. The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully against Intel in this market, we must transition to new process technologies at a faster pace than before and offer higher performance microprocessors in significantly greater volumes. We must achieve acceptable yields while producing microprocessors at higher speeds. In the past, we have experienced significant difficulty in achieving microprocessor yield and volume plans. Such difficulties have in the past,

and may in the future, adversely affect our results of operations and liquidity. If we fail to offer higher performance microprocessors in significant volume on a timely basis in the future, our business could be materially and adversely affected. We may not achieve the production ramp necessary to meet our customers' volume requirements for higher performance microprocessors. It is also possible that we may not increase our microprocessor revenues enough to achieve sustained profitability.

To sell the volume of AMD Athlon, AMD Duron and AMD-K6 microprocessors we currently plan to make in 2000 and 2001, we must increase sales to existing customers and develop new customers in both consumer and commercial markets. If we lose any current top tier OEM customer, or if we fail to attract additional customers through direct sales and through our distributors, we may not be able to sell the volume of units planned. This result could have a material adverse effect on our business.

Our production and sales plans for AMD Athlon, AMD Duron and AMD-K6 microprocessors are subject to other risks and uncertainties, including:

. market acceptance of AMD Athlon and AMD Duron microprocessors, including the timely availability of motherboards and chipsets designed for these processors;
. whether we can successfully fabricate higher performance microprocessors in planned volume and speed mixes;
. the effects of Intel's new product introductions, marketing strategies and pricing;
. the continued market acceptance for AMD-K6 microprocessors and systems based on them;
. whether we will have the financial and other resources necessary to continue to invest in the microprocessor products, including leading-edge wafer fabrication equipment and advanced process technologies;
. the possibility that our newly introduced products may be defective;
. adverse market conditions in the personal computer (PC) market and consequent diminished demand for our microprocessors; and
. unexpected interruptions in our manufacturing operations.

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

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

microprocessors.

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

Intel Dominance. Intel has dominated the market for microprocessors used in PCs for many years. Because of its dominant market position, Intel has historically set and controlled x86

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

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

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

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

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

To compete with Intel in the microprocessor market in the future, we intend to continue to form closer relationships with third-party designers and manufacturers of chipsets, motherboards, graphics chips, BIOS software and other components. Similarly, we intend to expand our chipset and system design capabilities, and to offer OEMs licensed system designs incorporating our

microprocessors and companion products. We cannot be certain, however, that our efforts will be successful.

We do not currently plan to develop microprocessors that are bus interface protocol compatible with the Pentium III, Pentium IV and Celeron processors because our patent cross-license agreement with Intel does not extend to microprocessors that are bus interface protocol compatible with Intel's sixth and subsequent generation processors. Thus, the AMD Athlon microprocessor is not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for AMD Athlon seventh-generation and future generation microprocessors will depend on our:

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

A failure for any reason of the designers and producers of motherboards, chipsets, processor modules and other system components to support our K86 microprocessor offerings would have a material adverse effect on our business.

Dependence on Microsoft and Logo License. Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for the x86 instructions that we innovate and design into our processors, independent software providers may forego designing their software applications to take advantage of our innovations. This would adversely affect our ability to market our processors. In addition, we have entered into logo license agreements with Microsoft that allow us to label our products as "Designed for Microsoft Windows." We have also obtained appropriate certifications from recognized testing organizations for our K86 microprocessors. If we fail to maintain the logo license agreements with Microsoft, we may lose our ability to label our K86 microprocessors with the Microsoft Windows logo. This could impair our ability to market the products and could have a material adverse effect on our business.

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

Financing Requirements

We will have significant capital requirements over the next 12 months. To the extent that we cannot generate the required capital internally or obtain such capital externally, our business could be materially adversely affected. We cannot assure the availability of such capital on terms favorable to us, or at all. We currently plan to make capital investments of approximately $850 million in 2000 although the actual expenditures may vary. These investments include those relating to the continued facilitization of Dresden Fab 30 and Fab 25.

In March 1997, our indirect wholly owned subsidiary, AMD Saxony, entered into the Dresden Loan Agreements with a consortium of banks led by Dresdner Bank AG. The terms of the Dresden Loan Agreements required us to make subordinated loans to, or equity investments in, AMD Saxony totaling $100 million in 1999. The Dresden Loan Agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. In accordance with the terms of the Dresden Loan Agreements, we have invested $407 million as of October 1, 2000 in the form of subordinated loans and equity in AMD Saxony. If we are unable to meet our obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreements, AMD Saxony will be unable to complete Dresden Fab 30 and we will be in default under the Dresden Loan Agreement and the Loan Agreement, which would permit acceleration of indebtedness, which would have a material adverse effect on our business.

In 1999, the building construction of FASL II was completed, equipment was installed and production was initiated. We expect the facility, including equipment, to cost approximately $1.2 billion when fully equipped. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. The facility, designated as JV3, is expected to cost approximately $1.4 billion when fully equipped. Capital expenditures for FASL II and JV3 construction to date have been funded by cash generated from FASL operations and borrowings by FASL. If FASL is unable to secure the necessary funds for FASL II or JV3, we may be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL.

If we are unable to obtain the funds necessary to fulfill our obligations to AMD Saxony or FASL, our business will be materially and adversely affected.

Manufacturing

Capacity. We underutilize our manufacturing facilities from time to time as a result of reduced demand for certain of our products. Our operations related to microprocessors have been particularly affected by this situation. If we underutilize our manufacturing facilities in the future, our gross margins may suffer. We are substantially increasing our manufacturing capacity by making significant capital investments in Fab 25 and Dresden Fab 30. In July 2000, FASL broke ground for a third fabrication facility for the manufacture of Flash memory devices in Aizu-Wakamatsu, Japan. We have also built a new test and assembly facility in Suzhou, China. We are basing our strategy of increasing our manufacturing capacity on industry projections for future growth. If these industry projections are inaccurate, or if demand for our products does not increase consistent with our plans and expectations, we will likely underutilize our manufacturing facilities and our business could be materially and adversely affected.

In contrast to the above, there also have been situations in the past in which our manufacturing facilities were inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacities to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on our business.

At this time, the risk is that we will have insufficient capacity to meet demand for Flash

memory products and underutilized capacity relative to demand for our microprocessor offerings.

Process Technology. In order to remain competitive, we must make continuing substantial investments in improving our process technologies. In particular, we have made and continue to make significant research and development investments in the technologies and equipment used to fabricate our microprocessor products and our Flash memory devices. Portions of these investments might not be fully recovered if we fail to continue to gain market acceptance or if the market for our Flash memory products should significantly deteriorate. Likewise, we are making a substantial investment in Dresden Fab 30. The business plan for Dresden Fab 30 calls for the successful development and installation of 0.18-micron process technology and copper interconnect technology in order to manufacture AMD Athlon microprocessors. We have entered into a strategic alliance with Motorola to co-develop logic process and embedded Flash technologies. The logic process technology which is the subject of the alliance includes the copper interconnect technology that is required for AMD Athlon microprocessors and subsequent generations of microprocessors. We cannot be certain that the strategic alliance will be successful or that we will be able to develop or obtain the leading-edge process technologies that will be required in Fab 25 or Dresden Fab 30 to fabricate AMD Duron and AMD Athlon microprocessors successfully.

Manufacturing Interruptions and Yields. Any substantial interruption of our manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could materially and adversely affect our business operations. We also have been and may in the future be materially and adversely affected by fluctuations in manufacturing yields. For example, our results in the past have been negatively affected by disappointing AMD-K6 microprocessor yields. The design and manufacture of integrated circuits is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include equipment performance and process controls, as well as other risks, all of which can affect yields.

Product Incompatibility. Our products may possibly be incompatible with some or all industry-standard software and hardware. If our customers are unable to achieve compatibility with software or hardware after our products are shipped in volume, we could be materially adversely affected. It is also possible that we may be unsuccessful in correcting any such compatibility problems that are discovered or that corrections will be unacceptable to customers or made in an untimely manner. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

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

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

International Manufacturing and Foundries. Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; Suzhou, China; and Singapore; or by subcontractors in the United States and Asia. We also depend on Dresden Fab 30, foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers. Foreign manufacturing and construction of foreign facilities entail political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if we were unable to assemble and test our products abroad, or if air transportation between the United States and our overseas facilities were disrupted, there could be a material adverse effect on our business.

Flash Memory Products

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

- cellular telephones;
- routers which transfer data between local area networks; and
- PC cards which are inserted into notebook and subnotebook computers or personal digital assistants;
- Consumer electronic items such as set top boxes, personal digital assistants and digital cameras.

As a result, the demand for Flash memory devices currently exceeds the available supply. In order to meet this demand, we must increase our production of Flash memory devices through FASL, FASL II and JV3 and through foundry or similar arrangements with others. We cannot be certain that the demand for Flash memory products will remain at current or greater levels, or that we will have sufficient capacity to meet the demand for Flash memory devices. Currently we are expanding production capacity of Flash memory devices through foundry arrangments. We cannot be certain that we will be able to ramp production of Flash memory devices in foundries successfully in order to meet demand. Our inability to meet the demand for Flash memory devices could have a material adverse effect on our business.

Competition in the market for Flash memory devices will increase as existing manufacturers introduce new products and industry-wide production capacity increases. We expect competition in the marketplace for Flash memory devices to continue to increase in 2000 and beyond. It is possible that we will be unable to maintain or increase our market share in Flash memory devices

as the market develops and as existing and potential new competitors introduce competitive products. A decline in our Flash memory device business or decline in the gross margin percentage in this product line could have a material adverse effect on our business.

Key Personnel

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

Demand for Our Products Affected by International Economic Conditions

While general industry demand is currently strong, a decline of the worldwide semiconductor market could decrease the demand for microprocessors and other ICs. A significant decline in economic conditions in any significant geographic area, either domestically or internationally, could decrease the overall demand for our products which could have a material adverse effect on our business.

Fluctuations in Operating Results

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

- the effects of competition with Intel in microprocessor and Flash memory device markets;
- competitive pricing pressures;
- decreases in unit average selling prices of our products;
- production capacity levels and fluctuations in manufacturing yields, particularly in the early stages of production at new facilities, such as Dresden Fab 30;
- availability and cost of products from our suppliers;
- the gain or loss of significant customers;
- new product introductions by us or our competitors;
- changes in the mix of products produced and sold and in the mix of sales by distribution channels;
- market acceptance of new or enhanced versions of our products;
- seasonal customer demand; and
- the timing of significant orders and the timing and extent of product development costs.

Our operating results also tend to vary seasonally due to vacation and holiday schedules. Our revenues are generally lower in the first, second and third quarters of each year than in the fourth quarter. This seasonal pattern is largely a result of decreased demand in Europe during the

summer months and higher demand in the retail sector of the personal computer market during the winter holiday season.

In addition, operating results have recently been, and may in the future be, adversely affected by general economic and other conditions causing a downturn in the market for semiconductor devices, or otherwise affecting the timing of customer orders or causing order cancellations or rescheduling. Our customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of our control. These factors are difficult to forecast, and these or other factors could materially and adversely affect our quarterly or annual operating results.

Other Risk Factors

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

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

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

- performance;
- product quality and reliability;
- price;
- adherence to industry standards;
- software and hardware compatibility;
- marketing and distribution capability;
- brand recognition;

- financial strength; and
- ability to deliver in large volumes on a timely basis.

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

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

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

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

competitive advantages to us; and
- others will independently develop similar products, duplicate our products or design around our patents and other rights.

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

Environmental Regulations. We could possibly be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process. Such regulations could require us to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Our failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on our business.

International Sales. Our international sales operations entail political and economic risks, including expropriation, currency controls, exchange rate fluctuations, changes in freight rates and changes in rates and exemptions for taxes and tariffs.

Volatility of Stock Price; Ability to Access Capital. Based on the trading history of our stock, we believe that the following factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially:

- quarterly fluctuations in our operating and financial results;
- announcements of new products and/or pricing by us or our competitors;
- the pace of new process technology and product manufacturing ramps;
- production yields of key products; and
- general conditions in the semiconductor industry.

In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of our common stock in any given period. Technology company stocks in general have experienced extreme price and volume fluctuations that are often unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of our common stock and consequently limit our ability to raise capital or to make acquisitions. Our current business plan envisions substantial cash outlays which may require external capital financing. It is possible that capital and/or long-term financing will be unavailable on terms favorable to us or in sufficient amounts to enable us to implement our current plan.

Earthquake Danger. Our corporate headquarters, a portion of our manufacturing facilities, assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. We could be materially and adversely affected in the event of a major earthquake.

Euro Conversion. On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro. The participating countries adopted the euro as their common legal currency on that date. The transition period will last through January 1, 2002. We do not expect the introduction and use of the euro to materially affect our foreign exchange activities, to affect our use of derivatives and other financial instruments or to result in any material increase in costs to us. We will continue to assess the impact of the introduction of the euro currency over the transition period, as well as the period subsequent to the transition, as applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On March 22, 2000, we entered into an interest rate swap agreement to reduce interest expense on our 11% Senior Secured Notes ($400 million) due 2003. The swap converts our 11% fixed rate notes into a floating rate instrument. The variable rate component of the swap will be fixed from inception through August 1, 2001. The swap is cancelable at the option of the counter-party (Bank of America) on August 1, 2001. We have maintained the swap as an undesignated hedge that is being marked-to-market through earnings.

For additional Quantitative and Qualitative Disclosures about Market Risk, including other foreign exchange risks associated with Dresden Fab 30, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures about

Market Risk, in our Annual Report on Form 10-K for the year ended December 26, 1999.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Ellis Investment Co., Ltd., et al v. AMD, et al. Between March 10, 1999 and April 22, 1999, AMD and certain individual officers of AMD were named as defendants in a number of lawsuits that were consolidated under Ellis Investment Co., Ltd., et al v. Advanced Micro Devices, Inc., et al. Following appointment of lead counsel, the case was re-named Hall et al. v. Advanced Micro Devices, Inc., et al. On September 5, 2000, the parties stipulated to and the United States District Court for the Northern District of California entered an order whereby all plaintiffs' claims and causes of action against all defendants were voluntarily dismissed without prejudice.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4.2(d) Third Supplemental Indenture, dated as of July 28, 2000, between AMD and the United States Trust Company, as trustee.

10.57 Employment Agreement, dated as of September 27, 2000, between AMD and Robert J. Rivet.

27.1 Financial Data Schedule

(b) Reports on Form 8-K

1. A Current Report on Form 8-K dated July 19, 2000 reporting under Item 5 - Other Events was filed announcing AMD's second quarter earnings.

2. A Current Report on Form 8-K dated August 4, 2000 reporting under Item 2 - Acquisition or Disposition of Assets was filed announcing the completion of the sale of 90 percent of Legerity to Francisco Partners, L.P.

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

ADVANCED MICRO DEVICES, INC.

Date: November 9, 2000 By: /s/ Robert J. Rivet

Robert J. Rivet
Senior Vice President, Chief Financial Officer

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

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EXHIBIT 4.2(d)

ADVANCED MICRO DEVICES, INC.,

Issuer

AND

UNITED STATES TRUST COMPANY OF NEW YORK,

Trustee

____

Third Supplemental Indenture

Dated as of July 28, 2000

____

Supplemental to the Indenture
dated as of August 1, 1996, as amended and supplemented
with respect to the
11% Senior Secured Notes due 2003

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THIRD SUPPLEMENTAL INDENTURE (this "Third Supplemental Indenture"), dated as of July 28, 2000, among ADVANCED MICRO DEVICES, INC., a Delaware corporation (hereinafter called the "Company"), as issuer, and the UNITED STATES TRUST COMPANY OF NEW YORK, as trustee (hereinafter called the "Trustee"), under the Indenture, dated as of August 1, 1996, by and among the Company and the Trustee, as amended and supplemented to the date hereof (the "Indenture").

RECITALS

The Company is making a tender offer (the "Tender Offer") to purchase for cash its 11% Senior Secured Notes due 2003 (the "Notes"), which were issued under the Indenture.

The Company also is soliciting consents from Holders of the Notes to certain amendments to the Indenture contained in this Third Supplemental Indenture (the "Amendments").

Section 9.02 of the Indenture provides that the Company and the Trustee, with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes, may amend or supplement certain provisions of the Indenture.

In accordance with Section 9.02 of the Indenture, the Holders of at least 50% in principal amount of outstanding Notes have consented to the Amendments.

The Board of Directors of the Company has duly authorized the execution and delivery of this Third Supplemental Indenture. In addition, the Company has done all other things necessary to make this Third Supplemental Indenture a valid agreement of the Company in accordance with the terms hereof and of the Indenture.

This Third Supplemental Indenture is effective as of the date upon which the conditions set forth in Section 1.8 hereof (subject to the provisos set forth therein) are satisfied and the Amendments effected by this Third Supplemental Indenture will become operative with respect to the Notes on the date such Notes that are tendered and not withdrawn are accepted for purchase and paid for by the Company pursuant to the Tender Offer.

WHEREFORE, each party agrees as follows for the benefit of the other party and for the equal or ratable benefit of the Holders of the Notes, as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

1.1 Definitions.

For all purposes of the Indenture and this Third Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture and this Third Supplemental Indenture as a whole and not to any particular Article, Section or subdivision; and

(b) capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

1.2 Governing Law.

This Third Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

1.3 Successors.

All agreements of the Company in this Third Supplemental Indenture shall bind their respective successors. All agreements of the Trustee in this Third Supplemental Indenture shall bind its successors.

1.4 Duplicate Originals.

The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

1.5 Separability.

In case any provision in this Third Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

1.6 Headings, Etc.

The Article and Section headings of this Third Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms and provisions hereof. Except as expressly provided herein and notwithstanding the elimination of certain Sections of the Indenture as set forth in Article II of the Third Supplemental Indenture, all references to Sections in the Indenture shall remain unchanged.

1.7 Benefits of Third Supplemental Indenture.

Nothing in this Third Supplemental Indenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Paying Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Third Supplemental Indenture.

1.8 Effectiveness.

This Third Supplemental Indenture supplements the Indenture and shall be a part and subject to all the terms thereof. Except as supplemented hereby, the Indenture shall continue in full force and effect.

This Third Supplemental Indenture shall take effect on the date (the "Effective Date") that each of the following conditions shall have been satisfied or waived:

(a) each of the parties hereto shall have executed and delivered this Third Supplemental Indenture; and

(b) the Trustee shall have received any documents it may have reasonably requested from the Company pursuant to the Indenture;

provided, however, that the Amendments set forth in Article II of this Third Supplemental Indenture shall become operative only upon and simultaneously with, and shall have no force and effect prior to, the Company's acceptance for purchase of the Notes that are tendered and not withdrawn pursuant to the Tender Offer; provided further, that such Amendments shall cease to have any force and effect if payment for the Notes has not been made within three business days after the Notes have been accepted for purchase.

ARTICLE II
THE AMENDMENTS

2.1 Amendments.

The Indenture is hereby amended as follows:

(1) Section 4.03 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 4.03. SEC Reports.

The Company will comply with TIA Section 314(a)."

(2) Section 4.07 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.07 [Intentionally omitted]."

(3) Section 4.08 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.08 [Intentionally omitted]."

(4) Section 4.09 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.09 [Intentionally omitted]."

(5) Section 4.10 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.10 [Intentionally omitted]."

(6) Section 4.11 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.11 [Intentionally omitted]."

(7) Section 4.12 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.12 [Intentionally omitted]."

(8) Section 4.13 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.13 [Intentionally omitted]."

(9) Section 4.14 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.14 [Intentionally omitted]."

(10) Section 4.16 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.16 [Intentionally omitted]."

(11) Section 4.17 of the Indenture is hereby eliminated in its entirety and replaced with the words: "SECTION 4.17 [Intentionally omitted]."

(12) Section 5.01 of the Indenture is hereby amended to state, in its entirety, the following:

"SECTION 5.01. Merger, Consolidation or Sale of Assets.

The Company shall not consolidate or merge with or into or wind-up into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to any Person unless (i) the Company is the surviving corporation (the "Surviving Corporation") or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Surviving Corporation or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes, this Indenture and the Collateral Documents pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee; and (iii) immediately after such transaction, no Default or Event of Default exists under this Indenture or the Collateral Documents. The Trustee shall receive an Opinion of Counsel and an Officers' Certificate, each stating that any such consolidation, merger, winding-up, sale, transfer, lease, conveyance or other disposition meets the requirements of this Section 5.01, and that all conditions precedent herein provided for in clauses (i) through (iii) above relating to such transaction have been complied with."

(13) Section 6.01 of the Indenture is hereby amended to delete the text in Subsections 6.01(c), 6.01(e) and 6.01(f) and to replace the text of each such Subsection with the text "[Intentionally omitted]."

(14) Section 6.02 of the Indenture is hereby amended to state, in its entirety, the following:

"If an Event of Default (other than an Event of Default specified in clauses (h) and (i) of Section 6.01 hereof relating to either the Company, the FASL Unrestricted Subsidiary or any Significant Subsidiary or group of Subsidiaries (not including the Dresden, Germany Unrestricted Subsidiary) that, taken together, would constitute a Significant Subsidiary) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 50% in principal amount of the then outstanding Notes by notice to the Company and the Trustee may declare the unpaid principal of and any accrued interest on all the Notes to be due and payable. Upon such declaration the principal and interest, if any, shall be due and payable immediately. If an Event of Default specified in clause (h) or (i) of Section 6.01 hereof relating to either the Company, the FASL Unrestricted Subsidiary or any Significant Subsidiary or group of Subsidiaries (not including the Dresden, Germany Unrestricted Subsidiary) that, taken as a whole, would constitute a Significant Subsidiary occurs, such an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal and interest, that has become due solely because of the acceleration) have been cured or waived."

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed, all as of the date first written above.

ADVANCED MICRO DEVICES, INC.,
Issuer

By: /s/ Francis P. Barton

Name: Francis P. Barton
Title: Senior Vice President, Chief Financial Officer

UNITED STATES TRUST COMPANY OF NEW YORK,
Trustee

By: /s/ Louis P. Young

Name: Louis P. Young
Title: Vice President

Exhibit 10.57

[AMD Letterhead]

September 27, 2000

Robert J. Rivet
4319 Lakeway Blvd.
Austin, TX 78734

Dear Bob:

I am pleased to extend to you this offer to join AMD, Inc. as Senior Vice President and Chief Financial Officer, reporting to Hector Ruiz, President and Chief Operating Officer on the terms set forth below;

1. Base Salary - Your initial base salary will be $35,416.67 per month ($425,000 per year) paid biweekly. Your base salary will be reviewed on an annual basis, generally in April. Any increase you may receive in April of 2001 will be prorated to reflect actual number of months in AMD's employ.

2. Bonus - You will participate in AMD's Vice President Incentive Plan (VPIP) with a short term component target of 50%, and a long term component target of 30%. Any bonus payment for which you may qualify in 2000 will be prorated to reflect actual number of months in AMD's employ. Details of this plan are described in the enclosed VPIP Summary Brochure.

   In addition, in the event that you forfeit any part of the Motorola 2000 annual bonus, including both the short-term and long-term component, to which you would have been entitled, AMD will pay you an equivalent amount, not to exceed $425,000, on the date the bonus would have been paid by Motorola.

3. Stock Options - On your first day of employment (the commencement date), subject to the approval of the Compensation Committee of our Board of Directors, you will be granted a nonqualified stock option to purchase 200,000 shares of AMD common stock at an exercise price equal to the closing price of AMD common stock on the grant date. Starting in 2001, your annual grant target is 100,000 options.

   Vesting

   200,000 options
   - 125,000 vest on the first anniversary of the grant date
   - 75,000 vest ratably over the 12-month period immediately following the first anniversary.

   100,000 options annual grant target beginning in 2001
   - 50,000 shares vest on the first anniversary of the grant date
   - 50,000 vest ratably over the 12-month period immediately following the first anniversary.

   Actual number of shares granted may be more or less than 100,000, depending on personal performance and competitive market considerations.

4. Restricted Stock - Subject to the approval of the Compensation Committee of our Board of Directors you will be granted 30,000 shares of restricted stock with par value of $0.01 on your commencement date.

   Vesting

   30,000 shares of restricted stock
   - 10,000 vest in mid July 2001
   - 10,000 vest in mid July 2002
   - 10,000 vest in mid July 2005

A sample vesting schedule is shown in Exhibit A. Shares shown as granted in 2001 and beyond are intended to demonstrate how shares vest over time.

5. Special Employment Bonus - AMD will pay you a hire-on bonus of $370,000, subject to approximate tax withholding, within 10 days of the beginning of the quarter following your commencement date.

6. Retirement Benefit Replacement - Subject to your continued employment by

AMD, the Company will provide you with a lump sum cash payment at age 57 of an amount estimated to be the projected benefit payable to you under the Motorola Elected Officers Supplemental Retirement Plan on the date you attain age 57. If you retire from AMD at or after age 55 but prior to age 57, you will be eligible to receive at age 57 a benefit similar to what you would be projected to receive under the Motorola Elected Officers Supplemental Retirement Plan. During the next few weeks, we will work with you and your financial advisor to determine the amount of this payment as well as the terms and conditions of the agreement under which this benefit will be provided.

7. Involuntary Termination through 12/31/01 - In the event of your involuntary termination by AMD between your commencement date and January 1, 2002 (other than for cause or as a result of a change in control) we will pay you an amount equal to one year's salary at the rate then in effect, plus an amount you would have earned under the Vice President Incentive Plan (VPIP) had you continued employment through the end of the year in which employment terminated, and we will accelerate the vesting of all unvested options and restricted stock granted to you on your commencement date (the initial grant).

8. Management Continuity Agreement - Certain benefits will be available to you in the event of a change in control, which includes any change of a nature which would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended. A change in control is conclusively presumed to have occurred on:

   . Acquisition by an person, other than AMD, or any employee benefit plan of ours, of beneficial ownership of more than 20% of the combined voting power of our then outstanding securities.
   . A change of the majority of the Board of Directors during any two consecutive years, unless certain conditions of Board approval are met.
   . A determination by certain members of the Board within one year after an event that such event constitutes a change in control.

   The management continuity agreements provide that, in the event of a change in control, we will reimburse you for any federal excise taxes (and taxes on those taxes) payable as a result of benefits received from us. The agreements provide that, if within two years after a change in control your employment is terminated by the company or you are constructively discharged you will receive:

   . A severance benefit equal to three times the sum of your rate of base compensation plus the average of your two highest bonuses in the last five years.
   . Payment of your accrued bonus.
   . Twelve months' continuation of other incidental benefits, and
   . Full and immediate vesting of all unvested stock options, SARs and restricted stock awards.
   . If termination following a change in control occurs on or after the date you attain age 55, you will receive a lump sum payment of the Retirement Benefit Replacement amount otherwise payable to you at age 57.

9. Benefits and Perquisites - AMD makes available to our executives a broad range of benefits and executive perqs., including health and dental insurance, 401(K) program with company matching and profit sharing. Enclosed are brochures describing these benefits and perqs. After your review, please direct any questions you may have to Reid Linney, Vice President Human Resources at (408) 749-2113 or to me.

10. Strategic Incentive - We will tailor a personalized inventive plan covering the 2001, 2002 and 2003 fiscal years. This plan will enable you to participate in AMD's success relative to our annual EVA objectives, as specified in our business plan. The target award in any year will be 100% of salary, although you will have an opportunity to earn up to 125% of salary for exceeding planned EVA. A boundary condition for any award to be earned for a given year is that every AMD product group must achieve EVA of zero or better. Provided that condition is satisfied, you will begin to accrue an award as soon as AMD's overall EVA for the year equals 60% of planned EVA. If AMD as a whole achieves its planned EVA for the year, then your award will equal the target award. As agreed, you and Hector will jointly finalize the details of this plan.

Bob, we believe that your career interests and accomplishments align very well with AMD's requirements, and that you will be a very successful member of our executive team. We look forward to your early acceptance of our offer. Please call me if I can be of assistance to you.

Yours sincerely,

/s/ Stan Winvick /s/ Bob Rivet 9/27/00

Stan Winvick
Senior Vice President
Human Resources

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