



Advanced Micro Devices

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Chief Financial Officer

September 3, 2003

- **Return to Profitability**

- **Microprocessor Business**



- **Flash Memory Business**



- **Financials**

Founded: 1969
Headquarters: Sunnyvale CA
Employees: 11,700
Sales mix: 70% international



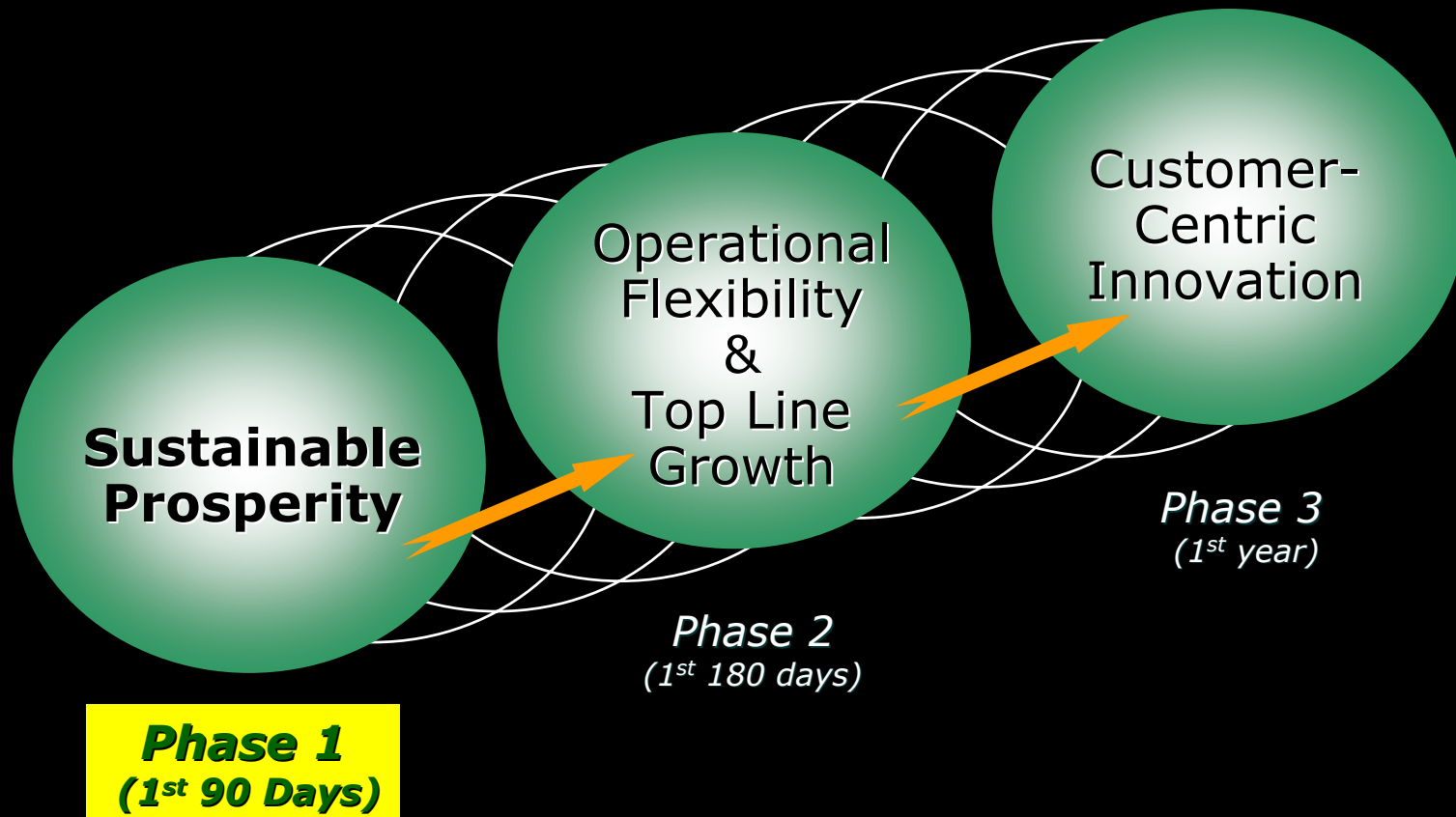
<u>Business units</u>	<u>2002 Revenues (\$M)</u>
•CPG	\$1,746
•MG*	\$741
•PCS + Foundry	<u>\$210</u>
Total	\$2,697

Major operations

- Sunnyvale, CA
- Austin, TX
- Dresden, Germany
- Penang, Malaysia
- Aizu-Wakamatsu, Japan
- Bangkok, Thailand
- Singapore
- Suzhou, China



Return to Profitability: AMD's Three Phase Plan



Phase 1: Sustainable Prosperity



PHASE 1 COMPLETED

1. Rebalanced PC Supply Chain Inventory

- **Rebalanced distributor inventory**

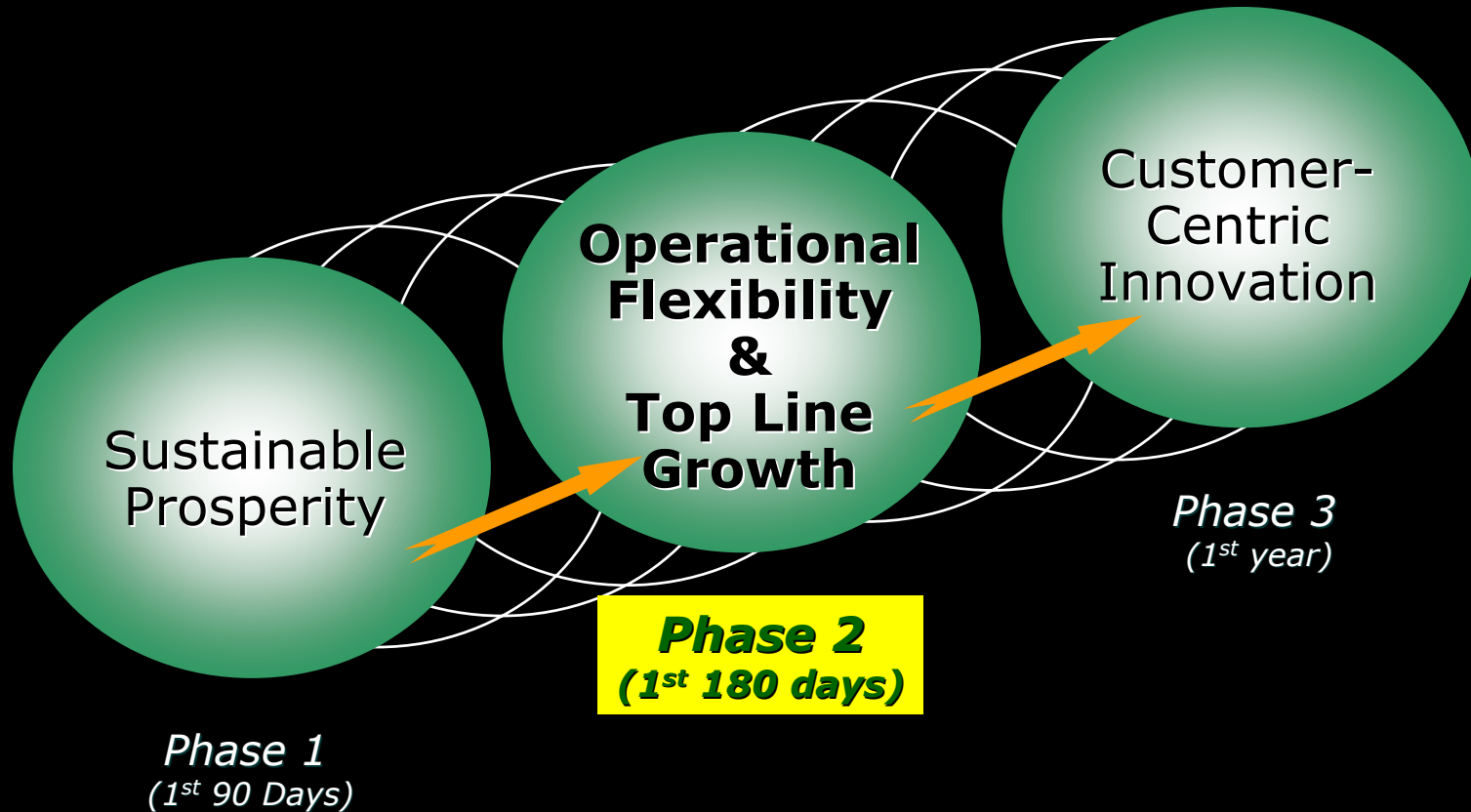
2. Bolstered Capital Structure

- **Reduced Cap-ex**
- **Asset financing**
- **Convertible debt offering**
- **Restructured Dresden debt**

3. Reduced AMD's Breakeven Point

- **Qtr'ly breakeven point reduced from \$900m+ to below \$800m**
 - **Reduced work force**
 - **Transitioning to more variable cost structure**
 - **Established AMD/IBM Joint Technology Agreement**
- **FASL LLC cost extraction opportunities in 2H-03**

Return to Economic Prosperity: AMD's Three Phase Plan



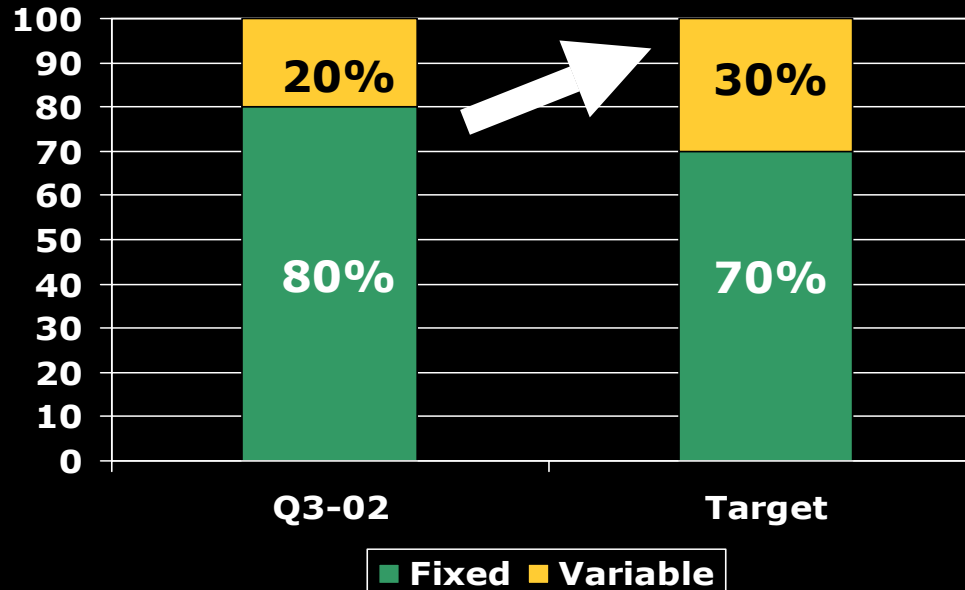
Phase 2: Operational Flexibility



50% COMPLETED

Implementing Operational Flexibility:

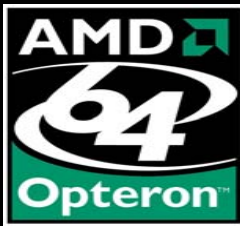
- Structuring the company to adapt more quickly to market fluctuations
- Reducing risks of investments in high fixed cost assets
- In addition to reducing the overall cost structure by \$100M+/qtr., shifting a higher proportion of expenses from fixed to variable



Microprocessor Business Update



- **AMD Athlon™ 64 processor for desktop and mobile PCs to be launched Sept. 23**



- **AMD Opteron™ was successfully launched in April**
 - **Leading 32/64 BIT server and workstation processor**
 - **Broad offerings for 1-, 2-, 4-, and 8-way servers**
 - **Initial interest and demand is outstanding**



- **AMD Athlon™ XP 3200+ was launched in May**



- **New thin-and-light mobile offering, AMD Athlon™ XP-M was launched in June**

AMD's Growing PC Market Share

Combined desktop / mobile share increased in 2002



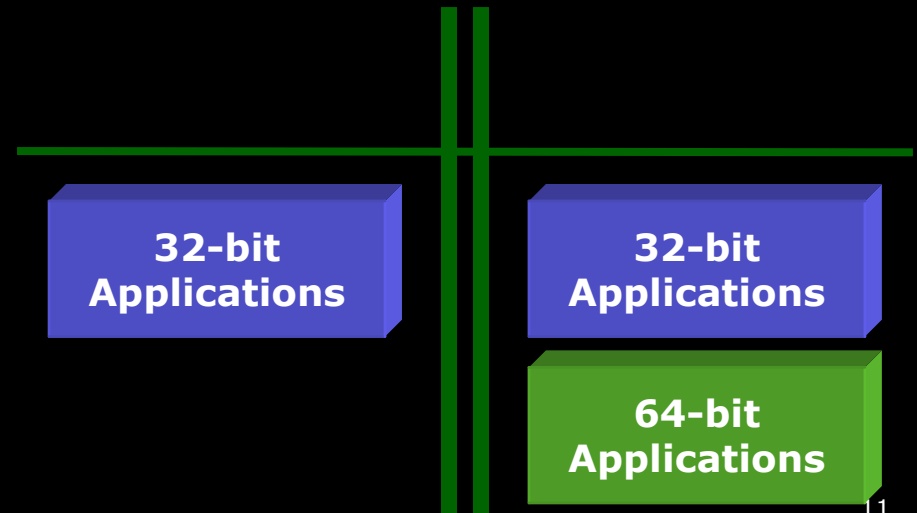
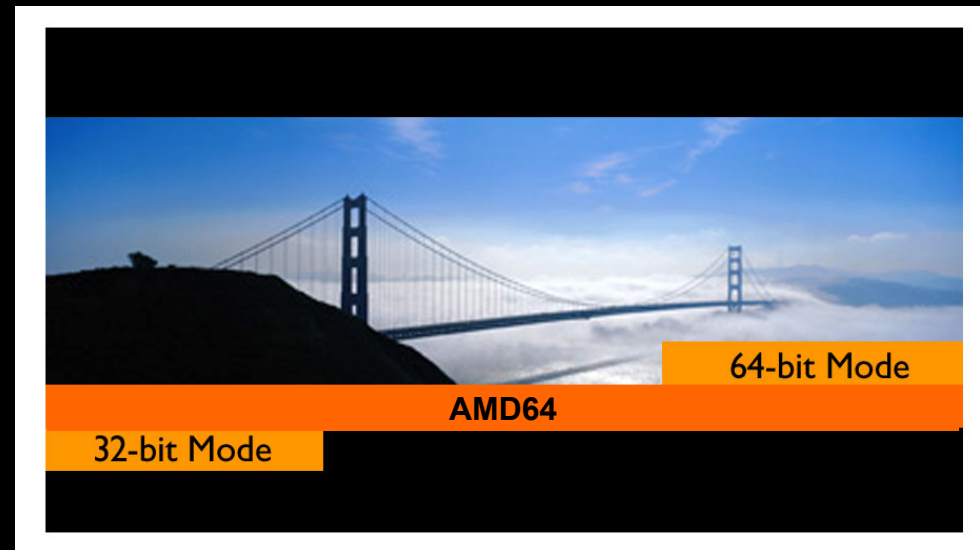
	<u>2001</u>	<u>2002</u>
World Total	18%	19%
North America	23%	18%
Western Europe	18%	19%
Eastern Europe	19%	22%
Japan	19%	22%
Asia / Pacific	11%	15%
Latin America	16%	28%

Source: Gartner Dataquest PC QStats 4Q02: x86-based desktop & mobile PC Systems.

AMD64: A Customer Centric Approach



- Provides investment protection for users who have invested in 32-bit application software
- Current 32-bit applications will work on today's 32-bit operating systems as well as tomorrow's 64-bit operating systems
 - Windows XP
 - Windows 2000
 - Future 64-bit Windows
- Enables a gradual application transition to 64-bits as required by end user individual needs.
- Doesn't require special hardware or investment in a proprietary infrastructure





Processor Price Positioning

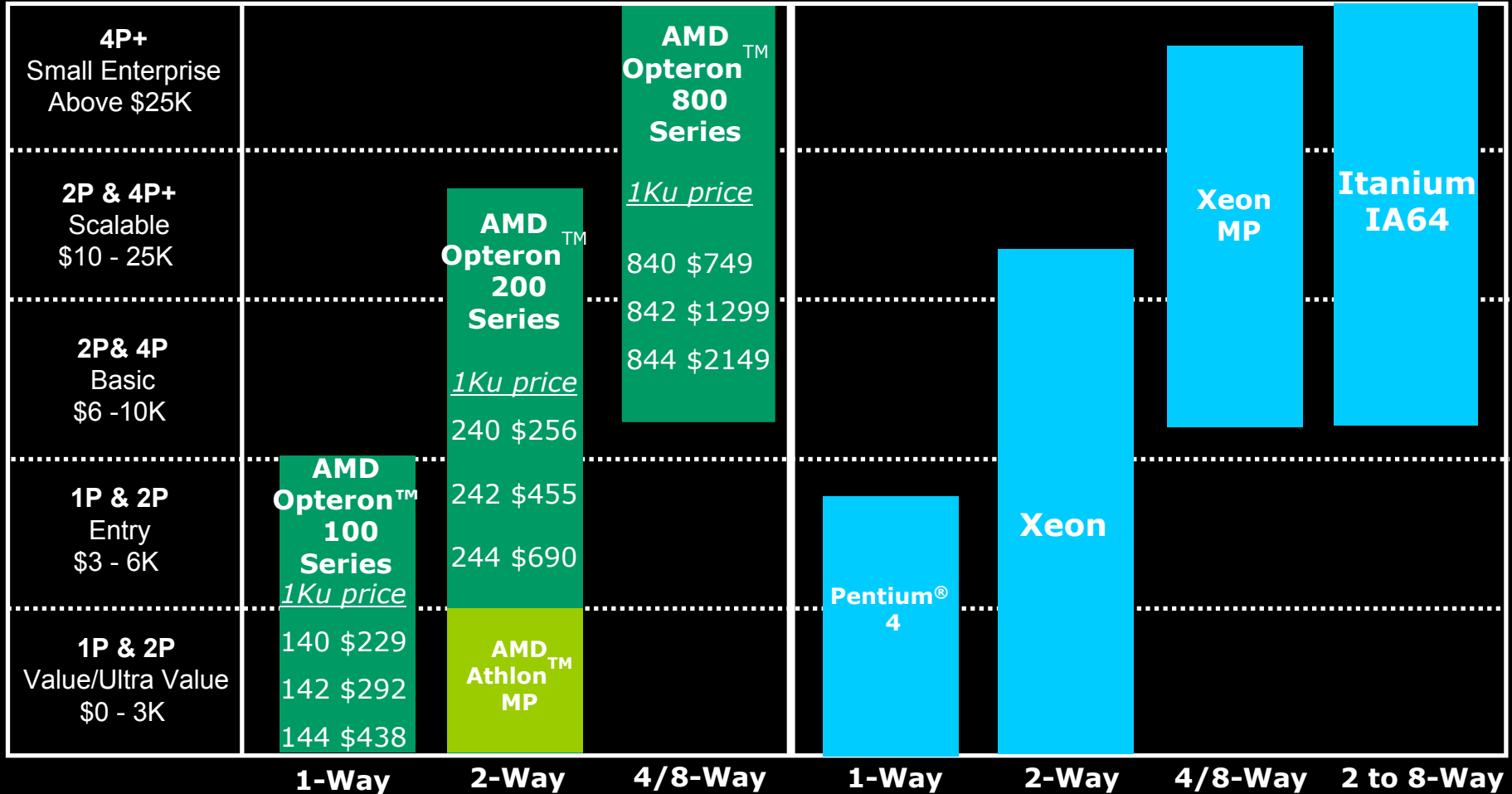
2003 Server Competitive Landscape



System Price Bands

AMD Positioning

Intel Positioning



The AMD Opteron™ processor
Earning broad industry support



Computer Associates®



The AMD Athlon™ 64 Processor:

Your Bridge Between Reality and Imagination



- **Protects your IT investment**
 - compatibility with today's software titles
- **Will be the first Windows® compatible 64-bit PC processor**

Desktop Features:

- AMD64 technology
 - uncompromising 32-bit performance and a seamless migration to 64-bit computing
- HyperTransport™ technology
- Integrated DDR memory controller
 - improved application performance

DTR Notebook Features:

- All the innovations of the AMD Athlon 64 processor +
- AMD PowerNow!™ technology
 - reduce power consumption and extend system battery life
- Compatibility with today's most popular wireless LAN solutions



Flash Memory Business Update



AMD Flash Memory Strategy



Focused on:

- Integration of FASL (AMD + Fujitsu), cost extractions
- New technologies
- Low-cost manufacturing
- New products, Spansion™ branding



Growth opportunities include:

- Wireless
 - Expand customer base at wireless accounts
 - Accelerate technology shrinks
 - Add high-end capacity
- MirrorBit™ technology
 - Deploy and capitalize on MirrorBit™
- China
 - Focus on Major OEMs
 - Capitalize on our leading-edge facility at Suzhou



- **Continued penetration of high-end, feature-rich cellular phone market**
 - AMD's wireless market share continues to grow, from 10% in 2001...to 20% in 2002...to 30%+ today*
 - Seven consecutive quarters of BIT shipment growth.
 - Average Density has approximately doubled yoy
- **Now shipping MirrorBIT™ densities of 16, 32, 64, 128 and 256 Mb...512 Mb coming later this year**
 - Revolutionary, smaller product with simpler technology
- **And now Spansion™ ...**



FASL Deal Closed: Spansion is Born

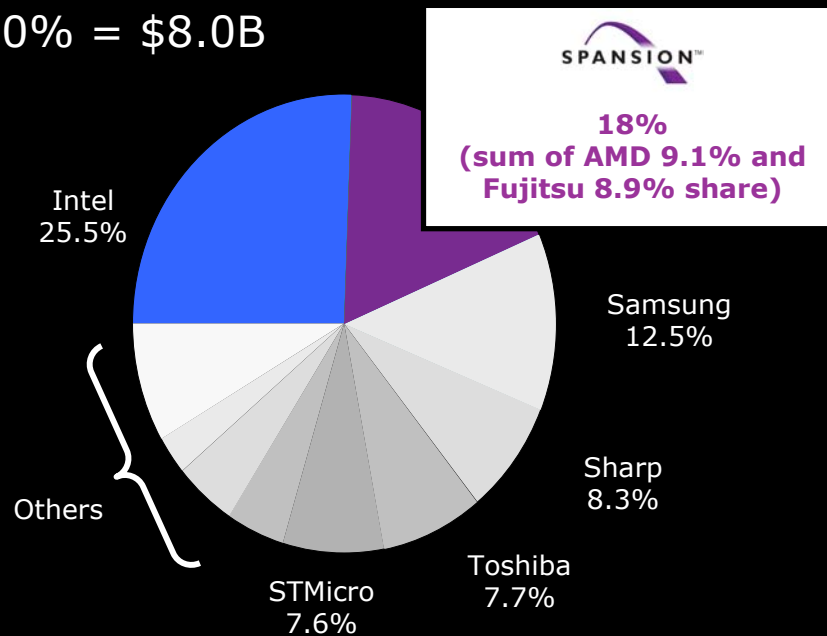


Key Terms

- Ownership: AMD 60%, Fujitsu 40%
- Headquarters: Sunnyvale
- Assets net book value: ~ \$3.0B
- Employees: 7,000

2002 Flash memory market share

100% = \$8.0B

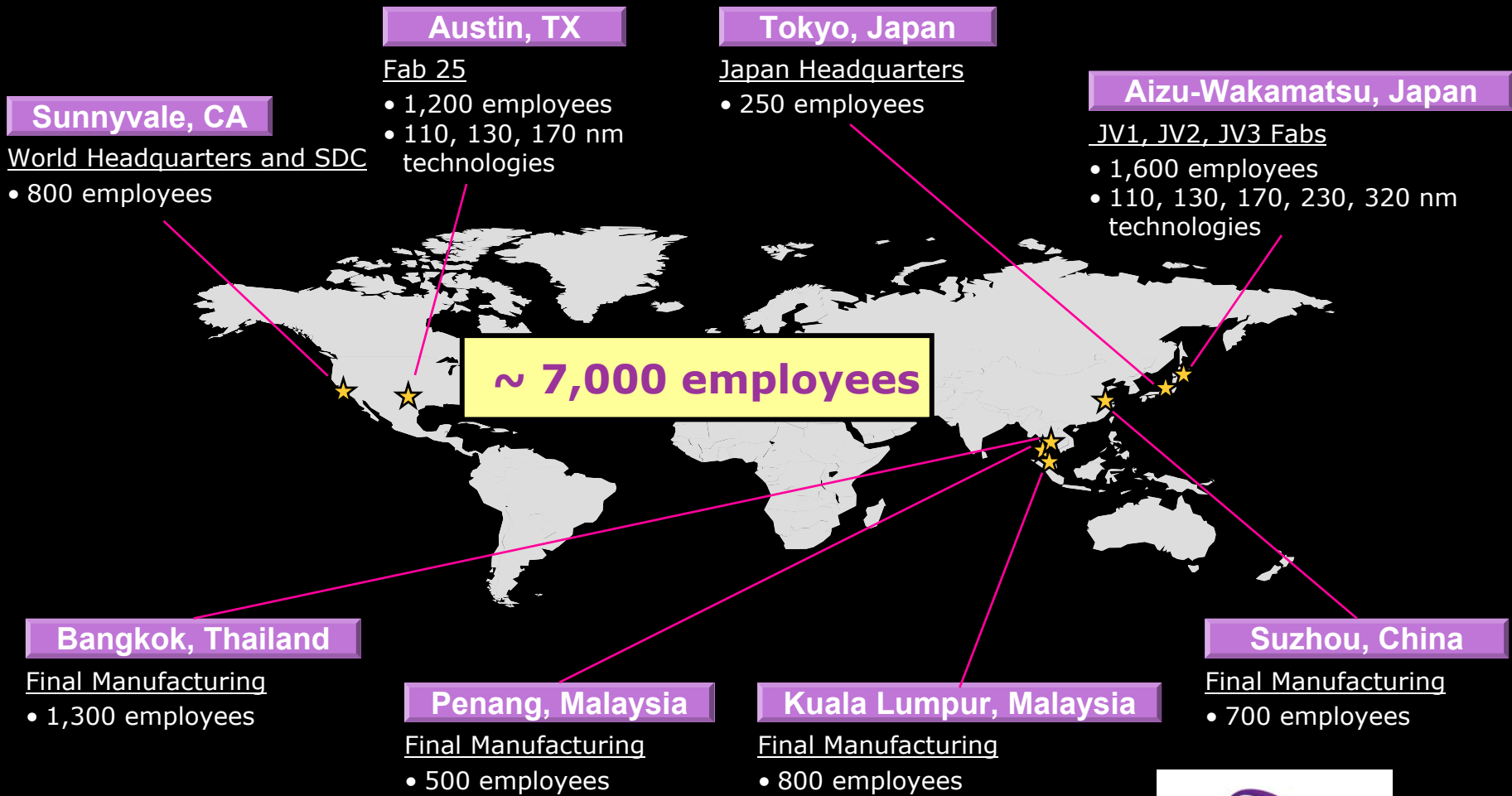


Source: Webfeet Research, 2003

Key Synergies to Capture

- Increased purchasing power on commercial die
- Lower pricing for capital purchases
- Standardization of manufacturing flow in final stages
- Consistent product portfolio management

Worldwide Resources and Assets



- AMD is now consolidating FASL LLC into AMD's income statement and balance sheet
- A provision below operating profit/loss line will reflect Fujitsu's 40% share of FASL LLC's profits and the appropriate minority interest on the balance sheet
- AMD will take on incremental assets & liabilities of approx. \$1 billion. This includes approx:
 - \$180M cash
 - \$190M debt
- AMD headcount increased by approx. 2,700



PCS Business Update

Personal Connectivity Solutions (PCS) Overview



- PCS addresses the non-PC Internet Appliance market
- Non-PC Internet Appliance market includes:
 - Computing Devices (Web tablets, PDAs, Thin Clients)
 - Access/Networking Devices (Firewalls, routers)
 - Driver Information Systems (Navigation and Entertainment devices)
- PCS's customer solutions combine Alchemy MIPS product technologies, Geode™ x86 integrated solutions, AMD's wired (Ethernet) and wireless technologies (WLAN, WWAN)
- Over 200 design wins to date

Geode™ Acquisition Overview

- AMD recently acquired National Semiconductor's Geode™ product line
- The Geode™ line of processors is made up of:
 - low power embedded x86 processors
 - companion chips and
 - IA-On-A-Chip devices targeted at specific markets including the set top, thin client and smart display markets
- The acquisition was an asset purchase and included the necessary intellectual property (IP) rights
- The acquisition provides:
 - Geode™ family
 - immediate and significant presence in low power x86 markets
 - complimentary additions to AMD's embedded offerings

Financials

- **Sales of \$645M up 7% yoy, down 10% sequentially**
 - Q2 sales were negatively impacted by SARS and weaker than anticipated sales in some international markets
- **Operating breakeven point reduced to \$769M**
 - Well below our communicated Q3-02 target of ~\$800M
 - Operating loss reduced by over \$200M since Q3-02
- **Gross Margin increased for the fifth consecutive quarter**
- **EBITDA positive**
- **Q3-03 opening cash balance of \$919M**
 - includes Fujitsu's \$180m FASL contribution plus our Q2 ending cash balance of \$739M

Metric	H2 2002 performance	H1 2003 performance
• Sales	\$1.2B	\$1.4B
• GMs	20%	33%
• SG&A \$	\$353M	\$273M
%	30%	20%
• Operating loss	(\$533)M	(\$239)M
• DSOs	52	52
• Sales per employee - annualized	\$186K	\$232K

• **Path to Sustainable Prosperity**

- Cost structure under control
- Q3-03 opening cash balance of \$919M
- EBITDA expected to continue to grow in Q3
- Cash burn anticipated to be kept minimal

• **Growth Prospects Remain Solid**

- Capitalizing on high-density Flash market - MirrorBit 512Mb to launch
- FASL LLC to expected to become the pre-eminent global Flash memory provider
- Long-term growth opportunity in China
- Competitive offerings from top to bottom in desktop PC market
- Opportunity to lead the industry in pervasive 64 bit computing with AMD Opteron™ and AMD Athlon™ 64 processors

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