AMD Whittles 2Q Loss as Chip Sales Rebound

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SAN FRANCISCO (AP) —- Advanced Micro Devices Inc. shrank its second-quarter loss on reviving sales of computers that use its chips and a wrenching effort to shed costs that's lasted years. The results were better than analysts had expected, and AMD's stock rose 4.7 percent, or 35 cents, to $7.76 in extended trading.

AMD would have made money were it not for a loss related to its investment in factories it used to own but were spun off into a separate company a year ago. The numbers come two days after AMD's main rival, Intel Corp., reported the highest revenue and profit margins in the company's 42-year history. AMD's chips are inside 20 percent of the world's personal computers and servers. Intel supplies nearly all the rest.

Intel cited bigger corporate spending on PCs and servers that use expensive chips — an encouraging sign for the semiconductor industry that shows technology budgets are being reinflated. But many analysts are worried that economic turbulence in Europe could upset the computer industry's resurgence over the past year.

AMD's CEO, Dirk Meyer, said customers in Europe and China have been reluctant to build their stocks of chips because of fears that demand might wane. But AMD hasn't seen any signs of a slowdown that would cause it to change its financial forecast, Meyer said.

AMD's net loss was $43 million, or 6 cents per share, in the quarter ended June 26. Excluding items, AMD would have earned 11 cents per share. On that basis, analysts expected profit of 6 cents per share.

Revenue was $1.65 billion, an increase of 40 percent over last year. Analysts expected $1.55 billion. A closely watched measure of profitability, AMD's gross margin, rose to 45 percent of revenue. Last year it was 37 percent.

The company expects third-quarter revenue to rise in line with seasonal trends. Analysts expect $1.66 billion. AMD, which is based in Sunnyvale, Calif., is benefiting from the same forces that lifted Intel to its record quarter — namely, better spending by corporations on PCs and servers after one of the worst slumps in the industry's history during the recession.

Servers are computers that run Web sites, process e-mail and perform other back-office tasks, and their chips are among the most profitable for AMD and Intel. Intel's revenue from server chips jumped nearly 50 percent in the latest period, stunning many analysts. AMD said it notched record shipments of laptop chips in the latest

period, but did not break out how much of its revenue came from server versus PC chips.

AMD's numbers reflect major changes the company had made to cut expenses. The biggest change was spinning off its chip-making factories into a separate company called GlobalFoundries Inc. in 2009 with the backing of the Persian Gulf state of Abu Dhabi.

The move was done to unload debt and cut costs. Semiconductor factories require multibillion-dollar upgrades every few years to keep their edge. AMD had lost billions of dollars and was desperate for a way to resuscitate its balance sheet.

Until the last two quarters, AMD had been consolidating the two companies' results. It now reports only AMD's results as a standalone company. Still, AMD still owns about 30 percent of the spinoff and has to account for the investment in its results. In the latest period, AMD recorded a $120 million non-cash loss related to GlobalFoundries. That figure dragged down its net income but did not affect revenue.

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