

President and CEO, Rory Read

Successfully Executing Strategic Transformation Plan

We made good progress last year executing our three step strategic turnaround to restructure, accelerate and ultimately transform AMD.

We completed our restructuring, creating a more efficient business model with significantly lower operating expenses.

We accelerated our business, generating strong revenue growth and a return to profitability in the second half of the year by successfully ramping our strong and diverse set of new products. As we move forward, we will continue to strategically transform AMD as we diversify our portfolio and drive a larger percentage of revenue from the semi-custom, ultra-lower power client, embedded, dense server and professional graphics high-growth markets.

In the fourth quarter we delivered revenue of \$1.59 billion dollars, an increase of 9 percent sequentially and 38 percent from the year ago period while increasing profitability.

Growth Businesses Update

We exceeded the goal we set for semi-custom and embedded to generate 20 percent of our revenue by the fourth quarter of 2013. We believe this validates the strategy we outlined two years ago to embrace the trends re-shaping the industry.

We remain on track for our growth businesses to generate approximately 50 percent of our revenue by the end of 2015.

All of this work is underscored by improved execution across the company as we hit our key product, IP development, supply chain and financial milestones in 2013.

Growth Businesses Update

Our flawless semi-custom production ramp propelled the business in the fourth quarter and allowed us to meet the strong demand for Sony's and Microsoft's game consoles. Combined, Sony and Microsoft reported selling more than seven million units in less than two months. This is more than double the number of prior generation consoles sold in their first quarter of introduction.

We expect this momentum will continue as we increase game console SoC shipments for the year and pursue new wins from our semi-custom design pipeline.

Our embedded business achieved sequential revenue increases throughout 2013. We have secured design wins to drive further growth and expect continued momentum as we begin offering both x86 and ARM-based solutions in 2014.



In dense servers, we remain on track to launch one of the industry's first 64-bit ARM server SoCs in 2014. Our unique position offering both x86 and ARM solutions combined with our years of experience in the server market and industry-leading fabric technology differentiates us as we bring an expanding set of solutions to this important market.

We remain on track to begin sampling our new ARM-based SoCs later this quarter and we are seeing strong interest from both traditional server OEMs and end customers like cloud providers.

Our professional graphics business set a record for full-year revenue in 2013. We believe we can drive additional growth based on incremental focus and investments we have made to further strengthen our product offerings, expand our work with key software developers, and secure more design wins. Apple's new Mac Pro desktop with dual AMD FirePro GPUs is a perfect example of our momentum in this margin-accretive market.

Graphics and Traditional PC Update

As we said during our last earnings call, we expected GPU revenue to rebound as we accelerate the transition to our new R9 and R7 graphics chips. And that is what happened. Strong demand for our latest graphics chips drove a significant sequential increase in GPU revenue and ASP. Our strategy to attack the desktop add-in-board channel worked well in the quarter and we expect this trend to continue.

We believe we are well positioned to gain graphics market share in 2014 based on continued channel momentum, secured wins for our new R7 and R9 discrete mobile GPUs, and strong adoption in the professional graphics space.

We also delivered our third straight quarter of desktop processor revenue growth in the fourth quarter, largely driven by increased shipments of our higher-end APUs and FX CPUs.

We began shipping the desktop version of our newest APU "Kaveri" in December, and believe it will help fuel future growth by delivering a significant performance advantage against competitive offerings.

"Kaveri" supports our Mantle API for a better gaming experience, and is the industry's first product integrating HSA features that can improve performance and power efficiency when running modern workloads.

The consumer notebook market remained soft in the fourth quarter. We focused on improving mix and reducing downstream inventory with our customers. We have secured a number of premium notebook design wins for "Kaveri" and also have solid adoption for our next-generation low-power "Mullins" and "Beema" SoCs which deliver twice the performance-per-watt of our previous offerings.

We believe we are taking the right steps to create a more predictable and balanced PC business moving forward by continuing to drive a richer product mix by focusing on the parts of the



market where we are underrepresented and have growth opportunities. For instance, we have secured a significant number of new commercial client design wins with tier-1 OEMs which will launch in the second half of the year.

We continue to believe that the PC market will be down for the year. As we discussed during our last earnings call our planning assumptions are based on a 10 percent decline in the market. Since that call, we are seeing some signs that parts of the market may be stabilizing. Given where we are in the quarter, it is too early to know if these signals will continue or not. We are managing the business to this base assumption but we are poised to take advantage of any upside as it materializes.

Summary

For 2013, we hit the key milestones in our multi-year strategic turnaround:

- We completed our restructuring, creating a more efficient operating model;
- We accelerated our business by ramping a strong set of new and diverse products across both traditional and growth businesses;
- Our semi-custom and embedded offerings delivered more than 20% of revenue in the fourth quarter;
- And we returned AMD to profitability and positive free cash flow in the second half of the year.

In 2014 our next objective is to achieve revenue growth and profitability at the net income level for the full year as we:

- Leverage our differentiated IP and products to further expand our growth businesses;
- Participate across a broader part of the market in the traditional PC markets to create a more balanced and consistent revenue stream;
- And continue to pursue efficiencies in our business model that will further reduce operating expenses.

We are midway through our multi-year turnaround and feel very good about the progress we have made to-date and our ability to continue to meet our commitments.

We have built a solid foundation from which we can continue to transform AMD into a more diverse company delivering consistent revenue growth and profitability.