DEAR SHAREHOLDERS:

From the industry’s first 1GHz CPU to the world’s first GPU delivering a teraflop of computing power, AMD has always stood for pushing the boundaries of what is possible. A few years ago, we made several big bets to accelerate our pace of innovation, strengthen our execution, and enable AMD to deliver a leadership portfolio of computing and graphics processors capable of increasing our share of the $75 billion high-performance computing market. In 2018, we saw those bets begin to pay off as we delivered our second straight year of greater than 20% annual revenue growth and significantly improved our gross margin and profitability from the previous year.

Our newest Ryzen™, EPYC™ and datacenter GPU products contributed more than $1.2 billion of revenue in 2018 and helped us gain share across our priority markets. In 2018, we added 3.9% points of desktop processor unit share, 5.3% points of notebook processor unit share and met our goal of exiting the year with mid-single digit server processor market share. We reached a milestone for the company as our high-margin datacenter CPUs and GPUs accounted for a mid-teens percentage of overall revenue in the fourth quarter. As a result of our focused execution, I am pleased to report that AMD was the best performing stock in the S&P 500 for 2018 and we delivered our most profitable year since 2011.
Computing and Graphics segment revenue grew 39% in 2018 based on growing adoption of our Ryzen desktop and mobile processors. We launched a full family of 2nd Gen Ryzen™ desktop processors in 2018, including the 2nd Gen Ryzen™ Threadripper™ CPU, the world’s most powerful desktop processor. Our biggest customers expanded their AMD-based offerings in the year, launching more than 60 notebooks powered by our Ryzen™ Mobile processors. We continued to successfully expand beyond the consumer PC market, highlighted by our customers announcing the broadest portfolio of AMD-based commercial notebooks ever. We also set a record for annual professional graphics revenue and we ramped multiple high-volume wins for our Radeon™ “Vega” datacenter GPUs. To further accelerate this part of our business, late in the year we began shipping the industry’s first 7nm datacenter GPU for deep learning, HPC, cloud and rendering applications. We also introduced a major set of enhancements to our datacenter GPU software that makes it easier for customers to deploy Radeon GPUs for AI and machine learning workloads.

Enterprise, Embedded and Semi-Custom segment revenue increased 3% in 2018, driven largely by the ongoing adoption of our EPYC processors across enterprise, cloud and HPC customers, offset by a decline in semi-custom revenue as the current generation game consoles are now in their 6th year since introduction. We made tremendous strides in the datacenter market since launching our first EPYC processors in 2017 and see opportunities to accelerate our growth in the coming years as we build from the strong foundation we have set. We announced several supercomputer wins in 2018, including Proctor & Gamble, the U.S. Department of Energy, the University of Stuttgart and Lawrence Livermore Labs. We continued to make progress with the largest cloud providers as Amazon announced new versions of its most popular cloud instances powered by EPYC processors, and Microsoft Azure announced its highest performance big data and HPC instances were powered by EPYC processors. Our semi-custom game console processors passed a significant milestone in the year, with the current generation Microsoft® Xbox One™ and Sony Playstation® 4 families having shipped well in excess of 120 million units.

Importantly, we delivered these results while again being recognized for our commitment to responsible growth. We achieved a 100% score on the Human Rights Campaign Foundation’s Corporate Equality Index, had our supply chain sustainability ranked among the top 2% of more than 3,000 publicly traded companies on CDP’s Supplier Engagement Leader Board, and were listed on both the Thomson Reuters Top 100 Global Tech Leaders and Barron’s 100 Most Sustainable Companies.

2019: OUR STRONGEST PRODUCT PORTFOLIO EVER

I am very proud of what we accomplished in 2018, and I am even more excited about how our long-term investments are set to drive further growth as we introduce our next wave of great products, including our 7nm Ryzen processors, Radeon GPUs and EPYC processors. We believe 2019 will be an inflection point for AMD and the industry based on our new CPU and GPU cores, our aggressive adoption of 7nm manufacturing technology and our advanced chiplet designs.

- In client computing, we started 2019 strong with the launch of our 2nd Gen Ryzen™ Mobile processors and our first ever AMD-based Chromebooks. The number of Ryzen processor-based systems available from our largest PC customers is expected to increase by more than 30% from 2018, with the number of Ryzen processor-based mobile systems expected to increase by more than 50%. We believe we can continue this momentum when we introduce our 3rd Gen Ryzen™ desktop CPUs in the middle of the year.
In gaming, we successfully returned to the high-end market with the launch of our Radeon™ VII GPU in February 2019 and we are on track to introduce our next-generation “Navi” GPUs for the mainstream market later this year.

In server, our upcoming products and expanded customer relationships provide us with opportunities to continue gaining both CPU and GPU share across cloud, enterprise and HPC customers. We are on track to launch our next-generation 7nm EPYC™ processors in the middle of this year that are expected to deliver a step-function improvement in performance, with leadership core counts and unmatched capabilities across multiple workloads.

AMD: THE NEXT 50 YEARS

2019 marks our 50th anniversary—a major milestone for any company and a particularly significant accomplishment in the highly-cyclical semiconductor business. Our commitment to deliver high-performance computing and graphics technology that helps solve the world’s toughest challenges has never been stronger. While celebrating our historical achievements is important, our more than 10,000 employees are focused on what we can accomplish together over the next 50 years as we pursue our ambitious goal to make AMD the high-performance computing leader.

Dr. Lisa Su
President and Chief Executive Officer

CAUTIONARY STATEMENT

The forward-looking statements contained in the letter, including but not limited to, the timing, features, functionality, availability, performance, expectations and expected benefits related to AMD’s products and future products, including 7nm Ryzen, Radeon and EPYC processors; AMD being on track to launch future products, including 3rd Generation Ryzen desktop CPUs, “Navi” GPUs and next generation 7nm EPYC processors in 2019; AMD’s ability to accelerate growth in the datacenter market and drive further growth in other markets; 2019 being an inflection point for AMD and the industry; the expected increase in the number of Ryzen systems and Ryzen notebook systems available from AMD’s customers in 2019 and AMD’s ability to continue the strong momentum; and AMD’s ability to gain CPU and GPU share in server across cloud, enterprise and HPC customers, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements contained herein involve risks and uncertainties that could cause actual results to differ materially from current expectations. We urge investors to review in detail the risk and uncertainties in our Securities and Exchange Commission filings, including but not limited to the Annual Report on Form 10-K for the year ended December 29, 2018.