



# Q4 FY2017 Earnings Call

## GAAP to non-GAAP Reconciliations

November 16, 2017

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS**

	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<i>(In millions, except percentages)</i>				
<b>Non-GAAP Adjusted Gross Profit</b>				
Reported gross profit - GAAP basis	\$ 1,787	\$ 1,399	\$ 6,532	\$ 4,511
Certain items associated with acquisitions <sup>1</sup>	45	42	172	167
Inventory reversals related to restructuring <sup>2</sup>	-	-	-	(2)
Non-GAAP adjusted gross profit	<u>\$ 1,832</u>	<u>\$ 1,441</u>	<u>\$ 6,704</u>	<u>\$ 4,676</u>
Non-GAAP adjusted gross margin	46.2%	43.7%	46.1%	43.2%
<b>Non-GAAP Adjusted Operating Income</b>				
Reported operating income - GAAP basis	\$1,098	\$777	\$3,868	\$2,152
Certain items associated with acquisitions <sup>1</sup>	49	47	191	188
Acquisition integration costs	-	-	3	2
Reversals related to restructuring, net <sup>2</sup>	-	-	-	(3)
Other gains, losses or charges, net <sup>3,4</sup>	(9)	8	(12)	8
Non-GAAP adjusted operating income	<u>\$ 1,138</u>	<u>\$ 832</u>	<u>\$ 4,050</u>	<u>\$ 2,347</u>
Non-GAAP adjusted operating margin	28.7%	25.2%	27.9%	21.7%
<b>Non-GAAP Adjusted Net Income</b>				
Reported net income - GAAP basis	\$ 982	\$ 610	\$ 3,434	\$ 1,721
Certain items associated with acquisitions <sup>1</sup>	49	47	191	188
Acquisition integration costs	-	-	3	2
Reversals related to restructuring, net <sup>2</sup>	-	-	-	(3)
Impairment (gain on sale) of strategic investments, net	(7)	6	(3)	3
Loss on early extinguishment of debt	-	-	5	5
Other gains, losses or charges, net <sup>3,4</sup>	(9)	8	(12)	8
Resolution of prior years' income tax filings, reinstatement of federal R&D tax credit and other tax items <sup>5</sup>	(11)	57	(79)	45
Income tax effect of non-GAAP adjustments <sup>6</sup>	1	(6)	(14)	(19)
Non-GAAP adjusted net income	<u>\$ 1,005</u>	<u>\$ 722</u>	<u>\$ 3,525</u>	<u>\$ 1,950</u>

1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

2 Results for fiscal 2016 included adjustments associated with the cost reductions in the solar business.

3 Results for the three and twelve months ended October 29, 2017 included immaterial correction of errors related to prior periods.

4 Results for the three and twelve months ended October 30, 2016 included a loss of \$8 million due to discontinuance of cash flow hedges that were probable not to occur by the end of the originally specified time period.

5 Results for the three and twelve months ended October 29, 2017 included the recognition of the previously unrecognized foreign tax credits.

6 These amounts represent non-GAAP adjustments above multiplied by the effective tax rate within the jurisdictions that the adjustments affect.

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS**

	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Non-GAAP Adjusted Earnings Per Diluted Share</b>				
Reported earnings per diluted share - GAAP basis	\$0.91	\$0.56	\$3.17	\$1.54
Certain items associated with acquisitions	0.04	0.04	0.16	0.16
Other gains, losses or charges, net	(0.01)	0.01	(0.01)	0.01
Resolution of prior years' income tax filings, reinstatement of federal R&D tax credit and other tax items	(0.01)	0.05	(0.07)	0.04
Non-GAAP adjusted earnings per diluted share	\$0.93	\$0.66	\$3.25	\$1.75
Weighted average number of diluted shares	1,076	1,093	1,084	1,116

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED**  
**SEMICONDUCTOR SYSTEMS OPERATING RESULTS**

<i>(In millions, except percentages)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Reported operating income (GAAP basis)</b>	\$ 801	\$ 667	\$ 3,173	\$ 1,807
Certain items associated with acquisitions <sup>1</sup>	46	46	184	184
<b>Non-GAAP adjusted operating income</b>	\$ 847	\$ 713	\$ 3,357	\$ 1,991
<b>Non-GAAP adjusted operating margin (% of net sales)</b>	34.8%	33.5%	35.3%	29.0%

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED**  
**AGS OPERATING RESULTS**

<i>(In millions, except percentages)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Reported operating income (GAAP basis)</b>	\$ 232	\$ 193	\$ 817	\$ 682
Certain items associated with acquisitions <sup>1</sup>	-	-	1	1
Acquisition integration costs	-	-	3	-
<b>Non-GAAP adjusted operating income</b>	\$ 232	\$ 193	\$ 821	\$ 683
<b>Non-GAAP adjusted operating margin (% of net sales)</b>	27.9%	27.8%	27.2%	26.4%

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED**  
**DISPLAY AND ADJACENT MARKETS OPERATING RESULTS**

<i>(In millions, except percentages)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Reported operating income (GAAP basis)</b>	\$ 212	\$ 103	\$ 502	\$ 245
Certain items associated with acquisitions <sup>1</sup>	3	-	5	-
<b>Non-GAAP adjusted operating income</b>	\$ 215	\$ 103	\$ 507	\$ 245
<b>Non-GAAP adjusted operating margin (% of net sales)</b>	31.8%	22.8%	26.7%	20.3%

<sup>1</sup> These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

Note: The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within corporate and other and included in consolidated operating income.

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED OPERATING EXPENSES**

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<i>(In millions)</i>	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Operating expenses (GAAP basis)</b>	\$ 689	\$ 622	\$ 2,664	\$ 2,359
Certain items associated with acquisitions	(4)	(5)	(19)	(21)
Acquisition integration costs	-	-	(3)	(2)
Reversals related to restructuring, net	-	-	-	1
Other gains, losses or charges, net	9	(8)	12	(8)
<b>Non-GAAP adjusted operating expenses</b>	<b>\$ 694</b>	<b>\$ 609</b>	<b>\$ 2,654</b>	<b>\$ 2,329</b>

**APPLIED MATERIALS, INC.**  
**UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EFFECTIVE INCOME TAX RATE**

	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<i>(In millions, except percentages)</i>				
<b>Provision for income taxes (GAAP basis)</b>	\$ 92	\$ 130	\$ 297	\$ 292
Resolution of prior years' income tax filings, reinstatement of federal R&D tax credit and other tax items	11	(57)	79	(45)
Income tax effect of non-GAAP adjustments	(1)	6	14	19
<b>Non-GAAP adjusted provision for income taxes</b>	<u>\$ 102</u>	<u>\$ 79</u>	<u>\$ 390</u>	<u>\$ 266</u>
	Three Months Ended		Twelve Months Ended	
	October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
<b>Income before income taxes (GAAP basis)</b>	\$ 1,074	\$ 740	\$ 3,731	\$ 2,013
Certain items associated with acquisitions	49	47	191	188
Acquisition integration costs	-	-	3	2
Reversals related to restructuring, net	-	-	-	(3)
Impairment (gain on sale) of strategic investments, net	(7)	6	(3)	3
Loss on early extinguishment of debt	-	-	5	5
Other gains, losses or charges, net	(9)	8	(12)	8
<b>Non-GAAP adjusted income before income taxes</b>	<u>\$ 1,107</u>	<u>\$ 801</u>	<u>\$ 3,915</u>	<u>\$ 2,216</u>
<b>Effective income tax rate (GAAP basis)</b>	8.6%	17.6%	8.0%	14.5%
<b>Non-GAAP adjusted effective income tax rate</b>	9.2%	9.9%	10.0%	12.0%

**APPLIED MATERIALS, INC.**  
**RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK**

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Non-GAAP outlook for the first quarter of fiscal 2018 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$49 million, or \$0.04 per share but does not reflect any items that are unknown at this time, such as any additional charges related to acquisitions or other non-operational or unusual items, as well as other tax related items, which we are not able to predict without unreasonable efforts due to their inherent uncertainty.