



NEWS RELEASE

APPLIED MATERIALS DELIVERS ALL-TIME RECORD PERFORMANCE

- *Record quarterly revenue of \$3.97 billion, up 20% year over year*
- *Record quarterly EPS of \$0.91 up 63% year over year, and non-GAAP EPS of \$0.93 up 41% year over year*
- *Record annual revenues and operating profit for all segments*
- *Momentum continues with record year-end backlog of \$6.03 billion, up 32% year over year*

SANTA CLARA, Calif., November 16, 2017 — Applied Materials, Inc. (NASDAQ:AMAT) today reported record results in its fourth quarter and fiscal year ended October 29, 2017.

Fourth Quarter Results

Compared to the fourth quarter of fiscal 2016, Applied grew net sales by 20 percent to \$3.97 billion. On a GAAP basis, the company reported gross margin of 45.0 percent; operating income of \$1.10 billion; and earnings per share (EPS) of \$0.91. On a non-GAAP adjusted basis, year over year, the company increased gross margin by 2.5 points to 46.2 percent, grew operating income by 37 percent to \$1.14 billion or 28.7 percent of net sales, and increased EPS by 41 percent to \$0.93.

The company paid cash dividends of \$107 million and used \$385 million to repurchase 8 million shares of common stock at an average price of \$48.65.

Full Year Results

In fiscal 2017, Applied grew net sales by 34 percent to \$14.54 billion. On a GAAP basis, the company recorded gross margin of 44.9 percent, operating income of \$3.87 billion, and EPS of \$3.17. On a non-GAAP adjusted basis, year over year, the company increased gross margin by 2.9 points to 46.1 percent, grew operating income by 73 percent to \$4.05 billion or 27.9 percent of net sales, and increased EPS by 86 percent to \$3.25.

The company generated \$3.61 billion in cash from operations, paid dividends of \$430 million and used \$1.17 billion to repurchase 28 million shares of common stock at an average price of \$42.08.

“Fiscal 2017 was a record-breaking year for the company. We have great momentum and we’re confident that in 2018 we can deliver strong double-digit growth across our semiconductor, display and service businesses,” said Gary Dickerson, president and CEO. “This is the most exciting time in the history of the electronics industry. AI will transform entire industries over the coming years, creating trillions of dollars of economic value, and Applied is uniquely positioned to deliver the innovative materials needed to enable next-generation memory and high-performance computing.”

Results Summary

| | Q4 FY2017 | Q4 FY2016 | FY2017 | FY2016 | Change | | |
|--|-----------|-----------|-----------|-----------|-------------------------------|-------------------------|--|
| | | | | | Q4 FY2017 vs. Q4 FY2016 | FY2017 vs. FY2016 | |
| <i>(In millions, except per share amounts and percentages)</i> | | | | | | | |
| Net sales | \$ 3,969 | \$ 3,297 | \$ 14,537 | \$ 10,825 | 20% | 34% | |
| Gross margin | 45.0% | 42.4% | 44.9% | 41.7% | 2.6 points | 3.2 points | |
| Operating margin | 27.7% | 23.6% | 26.6% | 19.9% | 4.1 points | 6.7 points | |
| Net income | \$ 982 | \$ 610 | \$ 3,434 | \$ 1,721 | 61% | 100% | |
| Diluted earnings per share | \$ 0.91 | \$ 0.56 | \$ 3.17 | \$ 1.54 | 63% | 106% | |
| Non-GAAP Adjusted Results | | | | | | | |
| Non-GAAP adjusted gross margin | 46.2% | 43.7% | 46.1% | 43.2% | 2.5 points | 2.9 points | |
| Non-GAAP adjusted operating margin | 28.7% | 25.2% | 27.9% | 21.7% | 3.5 points | 6.2 points | |
| Non-GAAP adjusted net income | \$ 1,005 | \$ 722 | \$ 3,525 | \$ 1,950 | 39% | 81% | |
| Non-GAAP adjusted diluted EPS | \$ 0.93 | \$ 0.66 | \$ 3.25 | \$ 1.75 | 41% | 86% | |

A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial tables included in this release. See also “Use of Non-GAAP Adjusted Financial Measures” section.

Business Outlook

In the first quarter of fiscal 2018, Applied expects net sales to be in the range of \$4.00 billion to \$4.20 billion; the midpoint of the range would be an increase of approximately 25 percent, year over year. Non-GAAP adjusted diluted EPS is expected to be in the range of \$0.94 to \$1.02; the midpoint of the range would be an increase of approximately 46 percent, year over year.

This outlook for non-GAAP adjusted diluted EPS excludes known charges related to completed acquisitions of \$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.

Fourth Quarter and Fiscal Year Reportable Segment Information

| <u>Semiconductor Systems</u> | Q4 FY2017 | Q4 FY2016 | FY2017 | FY2016 |
|------------------------------------|--|-----------|----------|----------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 2,431 | \$ 2,127 | \$ 9,517 | \$ 6,873 |
| Foundry | 36% | 52% | 41% | 40% |
| DRAM | 12% | 10% | 16% | 16% |
| Flash | 38% | 23% | 34% | 31% |
| Logic and other | 14% | 15% | 9% | 13% |
| Operating income | 801 | 667 | 3,173 | 1,807 |
| Operating margin | 32.9% | 31.4% | 33.3% | 26.3% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 847 | \$ 713 | \$ 3,357 | \$ 1,991 |
| Non-GAAP adjusted operating margin | 34.8% | 33.5% | 35.3% | 29.0% |

Applied Global Services

| | <u>Q4 FY2017</u> | <u>Q4 FY2016</u> | <u>FY2017</u> | <u>FY2016</u> |
|------------------------------------|--|------------------|---------------|---------------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 831 | \$ 693 | \$ 3,017 | \$ 2,589 |
| Operating income | 232 | 193 | 817 | 682 |
| Operating margin | 27.9% | 27.8% | 27.1% | 26.3% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 232 | \$ 193 | \$ 821 | \$ 683 |
| Non-GAAP adjusted operating margin | 27.9% | 27.8% | 27.2% | 26.4% |

Display and Adjacent Markets

| | <u>Q4 FY2017</u> | <u>Q4 FY2016</u> | <u>FY2017</u> | <u>FY2016</u> |
|------------------------------------|--|------------------|---------------|---------------|
| | <i>(In millions, except percentages)</i> | | | |
| Net sales | \$ 677 | \$ 452 | \$ 1,900 | \$ 1,206 |
| Operating income | 212 | 103 | 502 | 245 |
| Operating margin | 31.3% | 22.8% | 26.4% | 20.3% |
| Non-GAAP Adjusted Results | | | | |
| Non-GAAP adjusted operating income | \$ 215 | \$ 103 | \$ 507 | \$ 245 |
| Non-GAAP adjusted operating margin | 31.8% | 22.8% | 26.7% | 20.3% |

Backlog Information

Backlog by reportable segment as of October 29, 2017 and October 30, 2016 was as follows:

| | <u>FY2017</u> | | <u>FY2016</u> | |
|------------------------------|--|-------------|-----------------|-------------|
| | <i>(In millions, except percentages)</i> | | | |
| Semiconductor Systems | \$ 2,991 | 49% | \$ 2,098 | 45% |
| Applied Global Services | 1,130 | 19% | 866 | 19% |
| Display and Adjacent Markets | 1,847 | 31% | 1,539 | 34% |
| Corporate and Other | 63 | 1% | 75 | 2% |
| Total | <u>\$ 6,031</u> | <u>100%</u> | <u>\$ 4,578</u> | <u>100%</u> |

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP adjusted financial measures, which are adjusted to exclude the impact of certain costs, expenses, gains and losses, including certain items related to mergers and acquisitions; restructuring charges and any associated adjustments; impairments of assets, or investments; gain or loss on sale of strategic investments; income tax items and certain other discrete adjustments. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided in the financial tables included in this release.

Management uses these non-GAAP adjusted financial measures to evaluate the company's operating and financial performance and for planning purposes, and as performance measures in its executive compensation program. Applied believes these measures enhance an overall understanding of our performance and investors' ability to review the company's business from the same perspective as the company's management, and facilitate comparisons of this period's results with prior periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance. There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles, may be different from non-GAAP financial measures used by other companies, and may exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

Webcast Information

Applied Materials will discuss these results during an earnings call that begins at 1:30 p.m. Pacific Time today. A live webcast will be available at www.appliedmaterials.com. A replay will be available on the website beginning at 5:00 p.m. Pacific Time today.

Forward-Looking Statements

This press release contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, technology transitions, our business and financial performance and market share positions, our capital allocation, our development of new products and technologies, our business outlook for the first quarter of fiscal 2018, and other statements that are not historical facts. These statements and their underlying assumptions are subject to risks and uncertainties and are not guarantees of future performance. Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products; global economic and industry conditions; consumer demand for electronic products; the demand for semiconductors; customers' technology and capacity requirements; the introduction of new and innovative technologies, and the timing of technology transitions; our ability to develop, deliver and support new products and technologies; the concentrated nature of our customer base; our ability to expand our current markets, increase market share and develop new markets; market acceptance of existing and newly developed products; our ability to obtain and protect intellectual property rights in key technologies; our ability to achieve the objectives of operational and strategic initiatives, align our resources and cost structure with business conditions, and attract, motivate and retain key employees; the variability of operating expenses and results among products and segments, and our ability to accurately forecast future results, market conditions, customer requirements and business needs; and other risks and uncertainties described in our SEC filings, including our most recent Forms 10-Q and 8-K. All forward-looking statements are based on management's current estimates, projections and assumptions, and we assume no obligation to update them.

About Applied Materials

Applied Materials, Inc. (Nasdaq: AMAT) is the leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world. Our expertise in modifying materials at atomic levels and on an industrial scale enables customers to transform possibilities into reality. At Applied Materials, our innovations make possible the technology shaping the future. Learn more at www.appliedmaterials.com.

Contact:

[Ricky Gradwohl](#) (editorial/media) 408.235.4676

[Michael Sullivan](#) (financial community) 408.986.7977

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| <i>(In millions, except per share amounts)</i> | | | | |
| Net sales | \$ 3,969 | \$ 3,297 | \$ 14,537 | \$ 10,825 |
| Cost of products sold | 2,182 | 1,898 | 8,005 | 6,314 |
| Gross profit | 1,787 | 1,399 | 6,532 | 4,511 |
| Operating expenses: | | | | |
| Research, development and engineering | 466 | 394 | 1,774 | 1,540 |
| Marketing and selling | 105 | 114 | 456 | 429 |
| General and administrative | 118 | 114 | 434 | 390 |
| Total operating expenses | 689 | 622 | 2,664 | 2,359 |
| Income from operations | 1,098 | 777 | 3,868 | 2,152 |
| Interest expense | 57 | 38 | 198 | 155 |
| Interest and other income, net | 33 | 1 | 61 | 16 |
| Income before income taxes | 1,074 | 740 | 3,731 | 2,013 |
| Provision for income taxes | 92 | 130 | 297 | 292 |
| Net income | \$ 982 | \$ 610 | \$ 3,434 | \$ 1,721 |
| Earnings per share: | | | | |
| Basic | \$ 0.92 | \$ 0.56 | \$ 3.20 | \$ 1.56 |
| Diluted | \$ 0.91 | \$ 0.56 | \$ 3.17 | \$ 1.54 |
| Weighted average number of shares: | | | | |
| Basic | 1,064 | 1,081 | 1,073 | 1,107 |
| Diluted | 1,076 | 1,093 | 1,084 | 1,116 |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

| <i>(In millions)</i> | October 29, 2017 | October 30, 2016 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,010 | \$ 3,406 |
| Short-term investments | 2,266 | 343 |
| Accounts receivable, net | 2,338 | 2,279 |
| Inventories | 2,930 | 2,050 |
| Other current assets | 374 | 275 |
| Total current assets | <u>12,918</u> | <u>8,353</u> |
| Long-term investments | 1,143 | 929 |
| Property, plant and equipment, net | 1,066 | 937 |
| Goodwill | 3,368 | 3,316 |
| Purchased technology and other intangible assets, net | 412 | 575 |
| Deferred income taxes and other assets ¹ | 512 | 460 |
| Total assets | <u>\$ 19,419</u> | <u>\$ 14,570</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable, notes payable and accrued expenses | 2,450 | 2,256 |
| Customer deposits and deferred revenue | 1,665 | 1,376 |
| Total current liabilities | <u>4,115</u> | <u>3,632</u> |
| Long-term debt ¹ | 5,304 | 3,125 |
| Other liabilities | 651 | 596 |
| Total liabilities | <u>10,070</u> | <u>7,353</u> |
| Total stockholders' equity | <u>9,349</u> | <u>7,217</u> |
| Total liabilities and stockholders' equity | <u>\$ 19,419</u> | <u>\$ 14,570</u> |

¹ Balances reflect the effects of the retrospective adoption of the authoritative guidance in the first quarter of fiscal 2017, which required debt issuance costs to be presented as a direct reduction from the carrying amount of the related debt liability. These amounts were originally recorded under Other Assets.

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| <i>(In millions)</i> | Three Months Ended | | Twelve Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 982 | \$ 610 | \$ 3,434 | \$ 1,721 |
| Adjustments required to reconcile net income to cash provided by operating activities: | | | | |
| Depreciation and amortization | 105 | 100 | 407 | 389 |
| Share-based compensation | 58 | 51 | 220 | 201 |
| Excess tax benefits from share-based compensation | (4) | (5) | (55) | (23) |
| Deferred income taxes | (17) | 7 | (11) | 21 |
| Other | (24) | 18 | (9) | 38 |
| Net change in operating assets and liabilities | (401) | 16 | (377) | 119 |
| Cash provided by operating activities | <u>699</u> | <u>797</u> | <u>3,609</u> | <u>2,466</u> |
| Cash flows from investing activities: | | | | |
| Capital expenditures | (124) | (88) | (345) | (253) |
| Cash paid for acquisitions, net of cash acquired | (12) | (11) | (68) | (16) |
| Proceeds from sales and maturities of investments | 921 | 553 | 2,743 | 1,234 |
| Purchases of investments | (1,314) | (443) | (4,856) | (1,390) |
| Cash provided by (used in) investing activities | <u>(529)</u> | <u>11</u> | <u>(2,526)</u> | <u>(425)</u> |
| Cash flows from financing activities: | | | | |
| Debt borrowings, net of issuance costs | — | — | 2,176 | — |
| Debt repayments | — | — | (205) | (1,207) |
| Proceeds from common stock issuances and others | 50 | 44 | 97 | 88 |
| Common stock repurchases | (385) | (171) | (1,172) | (1,892) |
| Excess tax benefits from share-based compensation | 4 | 5 | 55 | 23 |
| Payments of dividends to stockholders | (107) | (108) | (430) | (444) |
| Cash provided by (used in) financing activities | <u>(438)</u> | <u>(230)</u> | <u>521</u> | <u>(3,432)</u> |
| Increase (decrease) in cash and cash equivalents | <u>(268)</u> | <u>578</u> | <u>1,604</u> | <u>(1,391)</u> |
| Cash and cash equivalents — beginning of period | 5,278 | 2,828 | 3,406 | 4,797 |
| Cash and cash equivalents — end of period | <u>\$ 5,010</u> | <u>\$ 3,406</u> | <u>\$ 5,010</u> | <u>\$ 3,406</u> |
| Supplemental cash flow information: | | | | |
| Cash payments for income taxes | \$ 26 | \$ 13 | \$ 194 | \$ 157 |
| Cash refunds from income taxes | \$ 44 | \$ 9 | \$ 61 | \$ 113 |
| Cash payments for interest | \$ 76 | \$ 41 | \$ 186 | \$ 151 |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Corporate and Other

| <i>(In millions)</i> | <u>Q4 FY2017</u> | <u>Q4 FY2016</u> | <u>FY2017</u> | <u>FY2016</u> |
|--|------------------|------------------|-----------------|-----------------|
| Unallocated net sales | \$ 30 | \$ 25 | \$ 103 | \$ 157 |
| Unallocated cost of products sold and expenses | (119) | (160) | (507) | (538) |
| Share-based compensation | (58) | (51) | (220) | (201) |
| Total | <u>\$ (147)</u> | <u>\$ (186)</u> | <u>\$ (624)</u> | <u>\$ (582)</u> |

Additional Information

| | <u>Q4 FY2017</u> | <u>Q4 FY2016</u> | <u>FY2017</u> | <u>FY2016</u> |
|---|------------------|------------------|---------------|---------------|
| Net Sales by Geography <i>(In millions)</i> | | | | |
| United States | 415 | 289 | 1,474 | 1,143 |
| % of Total | 10% | 9% | 10% | 11% |
| Europe | 227 | 256 | 816 | 615 |
| % of Total | 6% | 8% | 6% | 6% |
| Japan | 507 | 364 | 1,518 | 1,279 |
| % of Total | 13% | 11% | 10% | 12% |
| Korea | 1,175 | 632 | 4,052 | 1,883 |
| % of Total | 30% | 19% | 28% | 17% |
| Taiwan | 718 | 1,154 | 3,291 | 2,843 |
| % of Total | 18% | 35% | 23% | 26% |
| Southeast Asia | 330 | 161 | 640 | 803 |
| % of Total | 8% | 5% | 4% | 7% |
| China | 597 | 441 | 2,746 | 2,259 |
| % of Total | 15% | 13% | 19% | 21% |
| <i>Employees (In thousands)</i> | | | | |
| Regular Full Time | 18.4 | 15.6 | | |

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> | | | | |
| <u>Non-GAAP Adjusted Gross Profit</u> | | | | |
| Reported gross profit - GAAP basis | \$ 1,787 | \$ 1,399 | \$ 6,532 | \$ 4,511 |
| Certain items associated with acquisitions ¹ | 45 | 42 | 172 | 167 |
| Inventory reversals related to restructuring ² | — | — | — | (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% |
| <u>Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 1,098 | \$ 777 | \$ 3,868 | \$ 2,152 |
| Certain items associated with acquisitions ¹ | 49 | 47 | 191 | 188 |
| Acquisition integration costs | — | — | 3 | 2 |
| Reversals related to restructuring, net ² | — | — | — | (3) |
| Other gains, losses or charges, net ^{3,4} | (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% |
| <u>Non-GAAP Adjusted Net Income</u> | | | | |
| Reported net income - GAAP basis | \$ 982 | \$ 610 | \$ 3,434 | \$ 1,721 |
| Certain items associated with acquisitions ¹ | 49 | 47 | 191 | 188 |
| Acquisition integration costs | — | — | 3 | 2 |
| Reversals related to restructuring, net ² | — | — | — | (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 ^{3,4} | (9) | 8 | (12) | 8 |
| Resolution of prior years' income tax filings, reinstatement of federal R&D tax credit and other tax items ⁵ | (11) | 57 | (79) | 45 |
| Income tax effect of non-GAAP adjustments ⁶ | 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 favorable 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 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 |
| <i>(In millions, except per share amounts)</i> | | | | |
| <u>Non-GAAP Adjusted Earnings Per Diluted Share</u> | | | | |
| 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 |
| 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 |
| Other gains, losses or charges, net | (0.01) | 0.01 | (0.01) | 0.01 |
| Non-GAAP adjusted earnings per diluted share | <u>\$ 0.93</u> | <u>\$ 0.66</u> | <u>\$ 3.25</u> | <u>\$ 1.75</u> |
| 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 RESULTS

(In millions, except percentages)

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| <u>Semiconductor Systems Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 801 | \$ 667 | \$ 3,173 | \$ 1,807 |
| Certain items associated with acquisitions ¹ | 46 | 46 | 184 | 184 |
| Non-GAAP adjusted operating income | \$ 847 | \$ 713 | \$ 3,357 | \$ 1,991 |
| Non-GAAP adjusted operating margin | 34.8% | 33.5% | 35.3% | 29.0 % |
| <u>AGS Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 232 | \$ 193 | \$ 817 | \$ 682 |
| Certain items associated with acquisitions ¹ | — | — | 1 | 1 |
| Acquisition integration costs | — | — | 3 | — |
| Non-GAAP adjusted operating income | \$ 232 | \$ 193 | \$ 821 | \$ 683 |
| Non-GAAP adjusted operating margin | 27.9% | 27.8% | 27.2% | 26.4 % |
| <u>Display and Adjacent Markets Non-GAAP Adjusted Operating Income</u> | | | | |
| Reported operating income - GAAP basis | \$ 212 | \$ 103 | \$ 502 | \$ 245 |
| Certain items associated with acquisitions ¹ | 3 | — | 5 | — |
| Non-GAAP adjusted operating income | \$ 215 | \$ 103 | \$ 507 | \$ 245 |
| Non-GAAP adjusted operating margin | 31.8% | 22.8% | 26.7% | 20.3 % |

¹ 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.