

A 3D bar chart with glowing yellow and blue lines, set against a dark blue background with a grid pattern. The bars are of varying heights and are arranged in a perspective view. The lines are glowing and intersect to form a grid.

Second Quarter Fiscal 2026 Earnings Presentation

May 14, 2026

Applied Materials External



Forward-Looking Statements

This presentation 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 and cash deployment strategies, our investment and growth strategies, our development of new products and technologies, the plans and expectations for the EPIC Center, legal matters, our business outlook for the third quarter of fiscal 2026 and beyond, 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, political and industry conditions, including changes in interest rates and prices for goods and services; global trade issues, changes in trade and export regulations, license requirements, and their interpretation, and our ability to obtain licenses or authorizations on a timely basis, if at all; changes in tariffs, any retaliatory measures, and our ability to mitigate the impact of tariffs; the effects of geopolitical turmoil or conflicts; demand for semiconductor chips and electronic devices; 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; our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; 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; cybersecurity incidents affecting us or our suppliers, customers or vendors; 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; acquisitions, investments and divestitures; changes in income tax laws; 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; our ability to ensure compliance with applicable law, rules and regulations; and other risks and uncertainties described in our filings with the Securities and Exchange Commission, including our most recent Forms 10-K, 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.

Calendar Announcements

JUNE 25 | 9AM PT

DRAM and Advanced Packaging Master Class

Webcast

AUGUST 13 [PROJECTED]

Q3 2026 Earnings Call

Webcast

OCTOBER 12

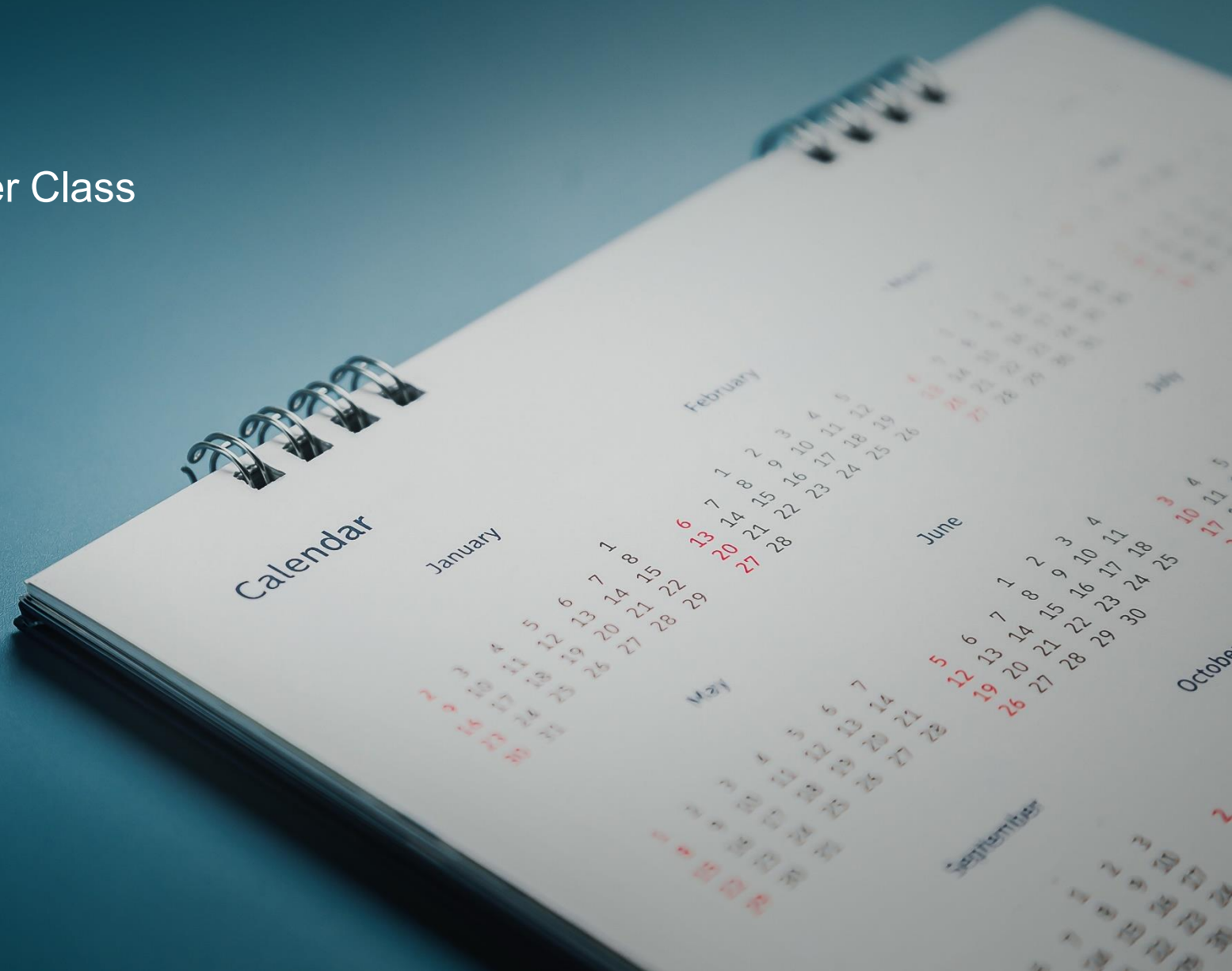
EPIC Center Unveiling

Sunnyvale, CA

OCTOBER 13

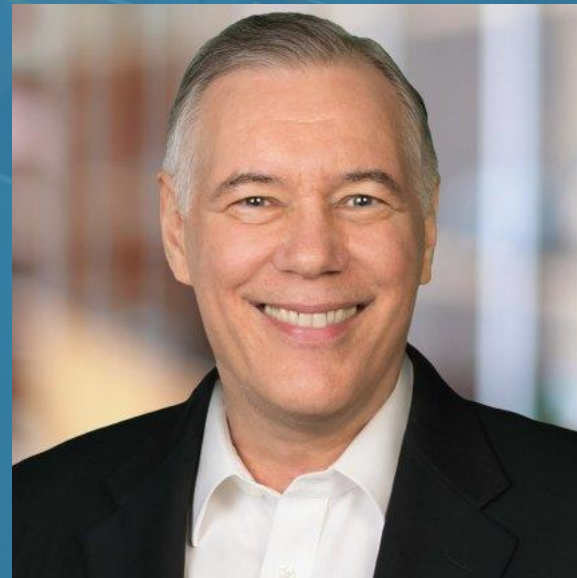
Investor Breakfast Presentation

San Francisco, CA | Webcast



Gary Dickerson

President and Chief Executive Officer



CEO

PERSPECTIVE

- FQ2 delivered record revenue, earnings, and highest gross margin in >25 years
- Rising demand and increasing long-term customer visibility set strong foundation for multi-year growth
- Business momentum fueled by:
 - » Rapid global build-out of AI computing infrastructure
 - » Applied's leadership in the most enabling, highest-value areas of the market
 - » Strong execution across operations and supply chain

AI Adoption is Accelerating and Diversifying

REAL-WORLD EXAMPLE

- >35,000 people in Applied's global workforce using AI:



- » Drive breakthroughs
 - » Accelerate R&D
 - » Optimize operations
 - » Enhance services
 - » Increase productivity
 - » Automate workflows
- Can redirect resources toward higher-value work and grow the business faster

GLOBAL ADOPTION TRENDS

- Improvements in AI performance and cost delivering compelling returns
 - » Higher performance chips = more tokens generated per second
 - » More energy efficient chips = more tokens per watt = lower total cost of ownership
- Global token generation has increased >3X in past three months*

AGENTIC AI GROWTH

- Seeing increase in agentic AI applications
- Agentic AI models plan, reason, and execute tasks autonomously
 - » Increase demand for both CPUs and GPUs
 - » Create new demand for DRAM and NAND
- Agentic AI creates incremental WFE demand

*Source: Openrouter

AI Driving Higher Growth for Applied Materials

Applied's Semi Systems business now expected to grow >30% in CY26*

Seeing incremental demand for equipment as customers increase cleanroom capacity and serve new demand drivers

Largest customers providing increased longer-term visibility

Customers signaling strong growth in 2027 and beyond

Data center AI increasing demand in Applied's leadership markets:

- » Leading-edge F/L
- » DRAM
- » Advanced packaging

Expect these markets to represent >80% of 2026 WFE market growth, similar profile in 2027

Applied has strong process equipment leadership

#1 in leading-edge F/L

- » GAA nodes grow available market and provide catalyst for market share gain

#1 in DRAM

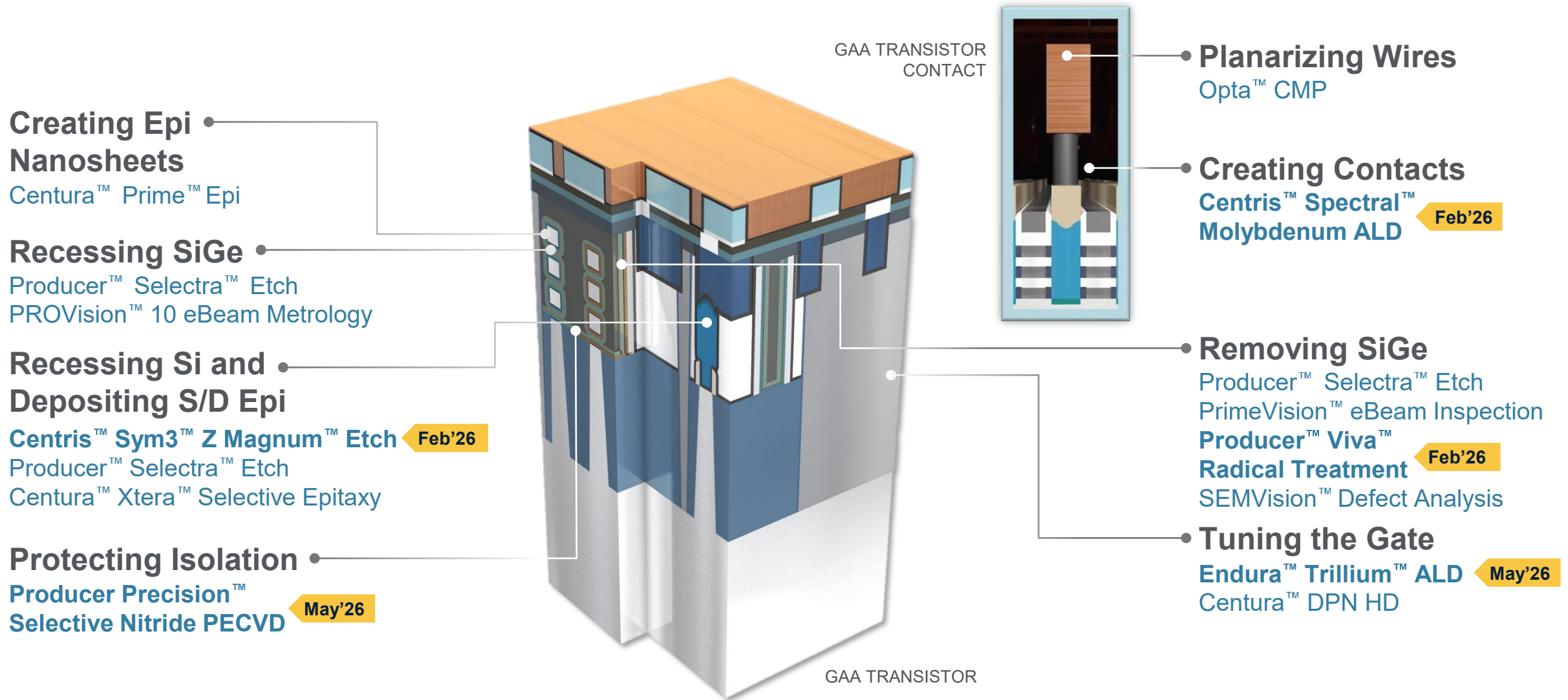
- » Strong positions in DRAM wiring patterning, and peripheral logic

#1 in Advanced Packaging

- » Expect to grow packaging revenues >50% in CY26*

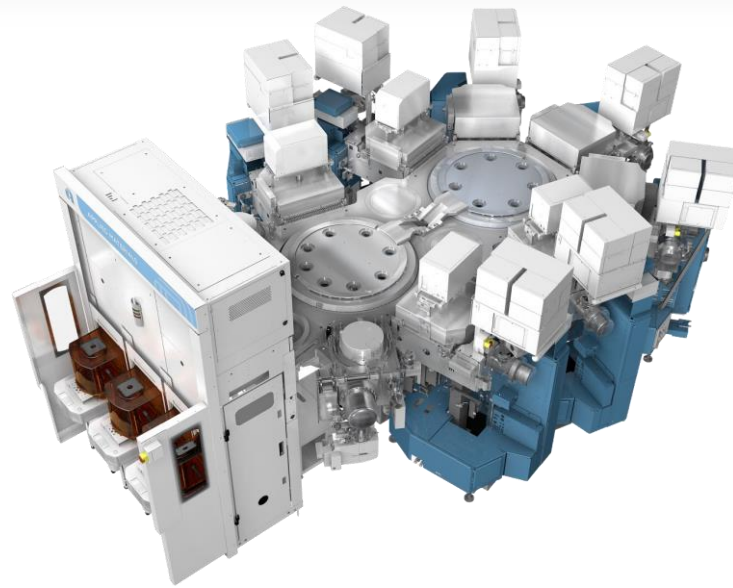
*CY26 refers to FQ2'26-FQ1'27. FQ1'27 will be a 14-week quarter

Strengthening the Industry's Broadest Gate-All-Around Portfolio



Public launch Detailed information available in [2026 Logic Master Class](#)

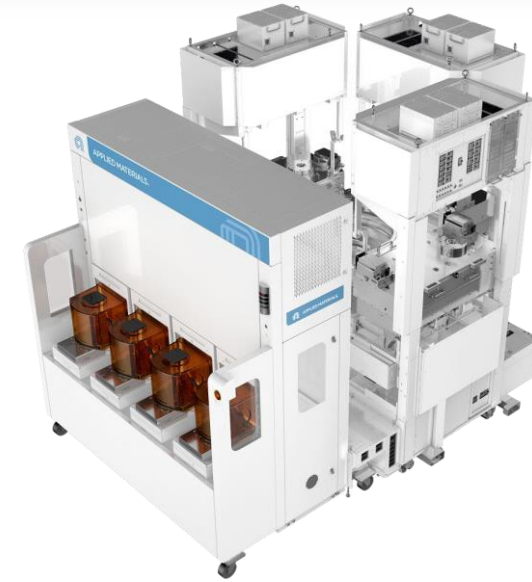
Innovative Pipeline of Next-Generation Products: Q2 Launches



GAA

Trillium™ ALD

Precisely deposits metals in complex GAA transistor gate stacks, providing angstrom-level thickness control for maximum flexibility to tune threshold voltages



GAA

Precision™ Selective Nitride PECVD

Industry-first selective bottom-up deposition process preserves integrity of shallow trench isolation, reducing parasitic capacitance and boosting chip performance-per-watt

Enabling the Panel Packaging Ecosystem



NEXX panel-level ECD technology broadens Applied's portfolio*

Electrochemical Deposition



Applied has Industry's Broadest Portfolio for Emerging Panel Trend

*acquisition pending

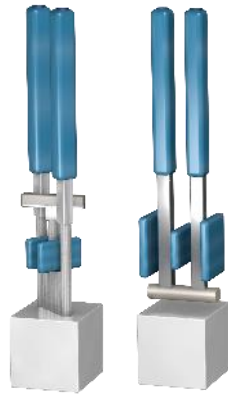
Enabling the DRAM Roadmap

High Bandwidth
Memory



6F²

4F²



3D DRAM



**Applied's SAM increases with
each new generation**



**DRAM and Advanced Packaging
Master Class**

June 25, 9am PT | Webcast



EPIC CENTER GAINING MOMENTUM

FOUNDING PARTNERS

Micron

Samsung

SK hynix

TSMC

INNOVATION PARTNERS

Advantest

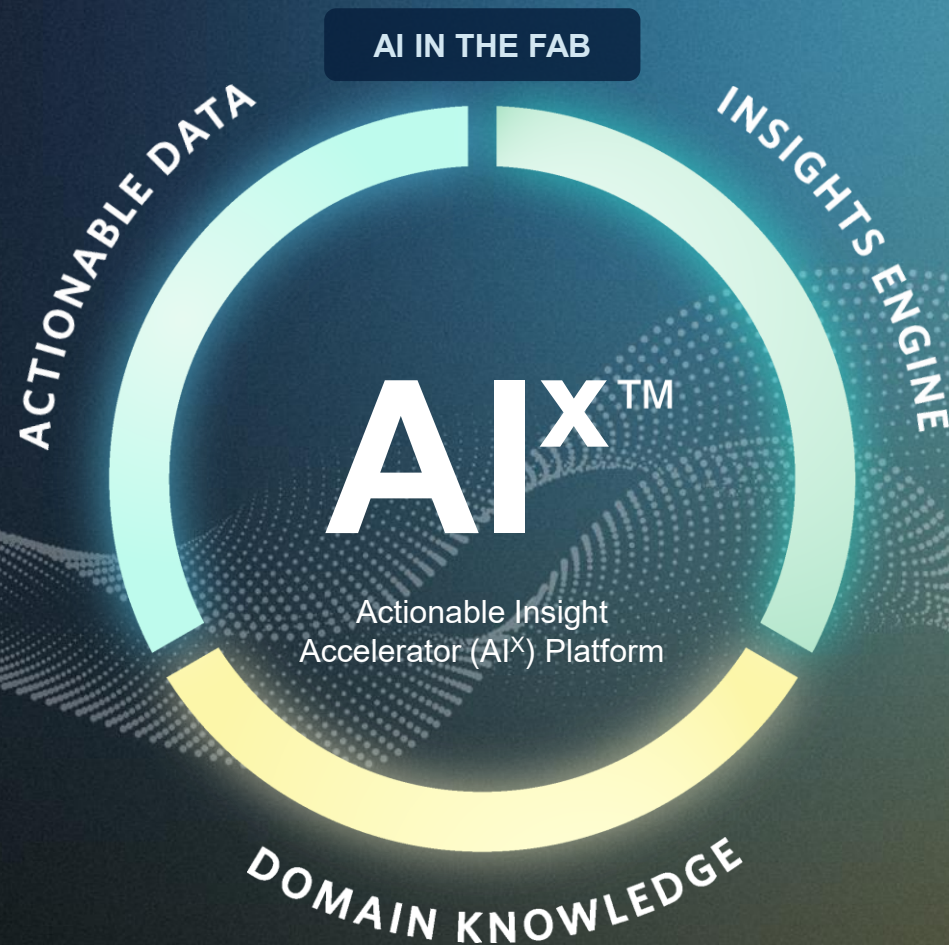
RESEARCH PARTNERS

ASU

RPI

Stanford

Service Innovation – Accelerating Time to Market



ACCELERATE

Results

R&D

Time to qualify
Process window

Ramp

Time to match
Yield optimization

HVM

Yield
Output
Cost of ownership

- **>35,000 chambers** connected to AI^x servers using AI-powered monitoring, diagnostics and analytics
- **30% faster** response times enables increased wafer output for customers
- Predictive maintenance capabilities deployed through AI^x

AGS Now Growing Mid-teens Rate, Potentially Higher this Year

CEO SUMMARY

- AI adoption is accelerating and diversifying, fueling broader demand for semiconductors, manufacturing and equipment
- Leading-edge foundry-logic, DRAM and advanced packaging enable higher AI performance per watt
 - » Expect these markets to drive >80% of 2026 WFE market growth, and see a similar profile in 2027
 - » Applied #1 process equipment supplier in all three markets, growing pipeline of high-value products
 - » Customers signaling strong growth in 2027 and beyond
- Transforming the way we work through EPIC, advanced services, and rapid AI adoption

Brice Hill

SVP, Chief Financial Officer



DEMAND Environment

- AI driving WFE demand to Applied's areas of strength
 - » Expect positive mix to continue in 2H CY26 and beyond
- Delivered double-digit Q/Q and Y/Y growth across revenue, operating profit and EPS
- Demand outlook has strengthened
 - » Cloud service providers continue to increase capital investments
 - » Most leading-edge foundry-logic and DRAM fabs running at full capacity
 - » Customers have announced more fab projects
- Customers are giving clearest and longest visibility ever
- Market and revenue expectations growing as customers increase cleanroom capacity and serve new demand drivers
- Customers signaling 2027 will be another strong, record year

Strategic Priorities

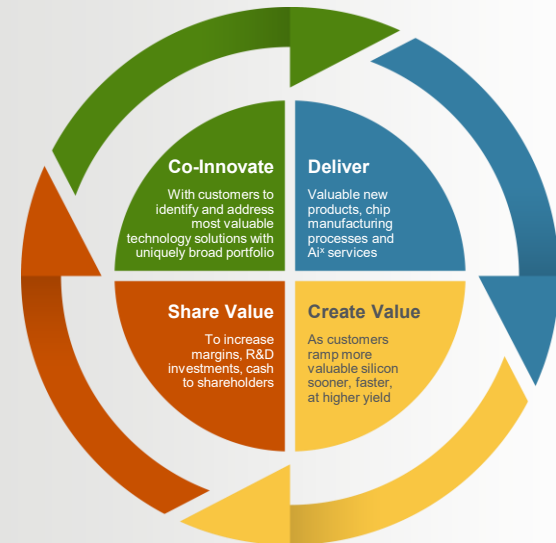
Top priority is increasing output to serve our customers' growing demand

- Nearly doubled manufacturing capacity: U.S., Europe and Singapore
- Increased build plan, inventory and logistics
- Providing earlier and longer demand signals to supply chain



Funding inflection-focused innovation strategy

- Collaborative R&D identifies high-value challenges and Applied solutions
- Portfolio becomes more valuable, expanding gross margins
- Productivity tools and programs increase operating profit
- Funding R&D while increasing operating leverage



FQ2'26 Non-GAAP Financial Results

	FQ2'25	FQ1'26	FQ2'26	YoY	QoQ
\$M, except EPS					
Revenue	7,100	7,012	7,910	11%	13%
Gross Margin*	49.2%	49.1%	50.0%	80bps	90bps
Operating Expenses*	1,311	1,335	1,417	8%	6%
Operating Income*	2,180	2,107	2,536	16%	20%
Operating Margin*	30.7%	30.0%	32.1%	140bps	210bps
EPS*	\$2.39	\$2.38	\$2.86	20%	20%

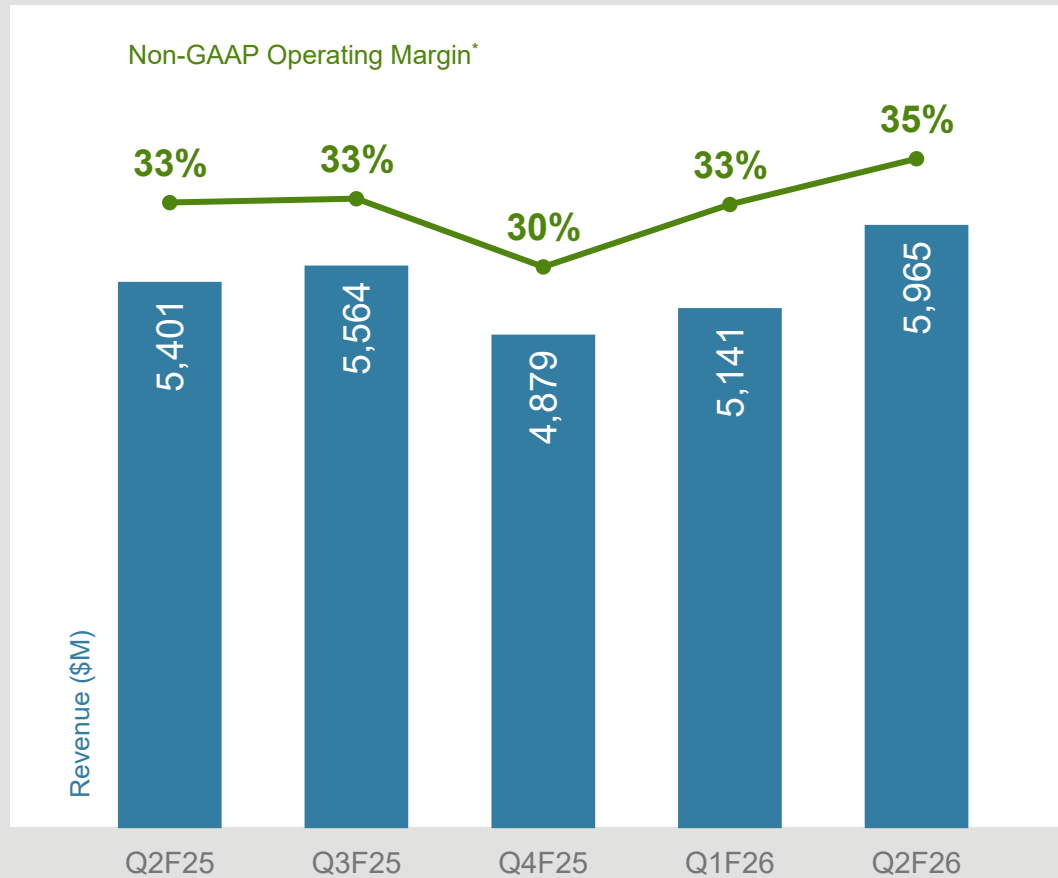
Year-over-year highlights:

- Record revenue in Semi Systems and AGS
- Gross margin reached 50%, driven by:
 - » Value-based pricing on most differentiated products
 - » Ongoing manufacturing cost improvements
- Demonstrating operating leverage

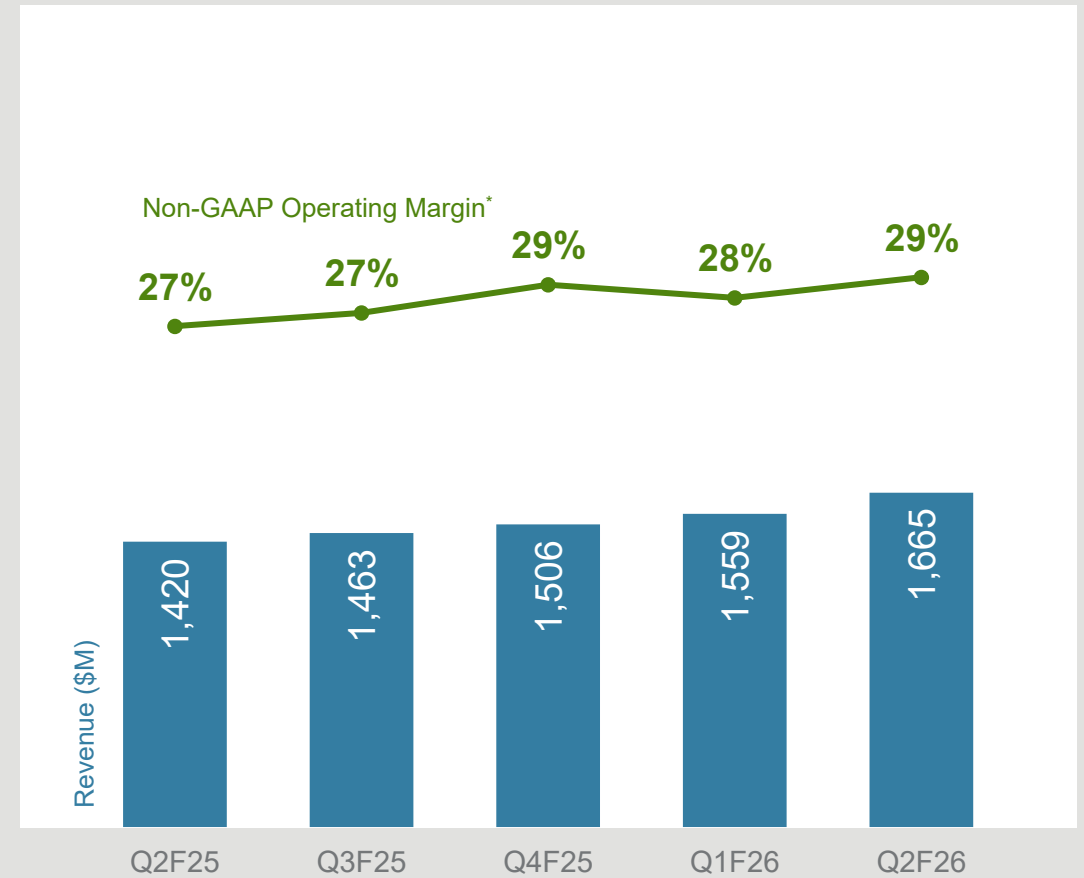
* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

FQ2'26 Segment Results

SEMICONDUCTOR SYSTEMS



APPLIED GLOBAL SERVICES



* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

Effective in the first quarter of fiscal 2026, management moved our 200-millimeter equipment business to Semiconductor Systems. The business was previously included in Applied Global Services. Additionally, effective in the first quarter of fiscal 2026, management began fully allocating corporate support costs to our operating segments. Prior-period numbers have been recast to conform to the current-year presentation.

Cash Flows and Shareholder Distributions

	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
CASH FLOWS (\$M)					
Operating Cash Flow	1,571	2,634	2,828	1,686	845
Free Cash Flow*	1,061	2,050	2,043	1,040	210
SHAREHOLDER DISTRIBUTIONS (\$M)					
Total Shareholder Distributions	(1,995)	(1,424)	(1,216)	(702)	(765)
Share Repurchases	(1,670)	(1,056)	(851)	(337)	(400)
Dividends	(325)	(368)	(365)	(365)	(365)

FQ2'26 cash flow included higher working capital, and legal and tax payments
Distributed >90% of FCF* to shareholders over trailing five years

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com
 \$13.2B remaining on share repurchase authorization at end of FQ2'26

Business Outlook

Third QUARTER FISCAL 2026

OUTLOOK*	Total Revenue	~\$8.950B ± \$500M
	Non-GAAP EPS*	~\$3.36 ± \$0.20
REVENUE	Semiconductor Systems (includes 200mm equipment)	~\$6.900B
	Applied Global Services (excludes 200mm equipment)	~\$1.750B
	Other	~\$300M
OTHER	Non-GAAP Gross Margin*	~50.1%
	Non-GAAP Operating Expenses*	~\$1.485B
	Non-GAAP Tax Rate*	~11%

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com
200mm equipment business is in Semiconductor Systems effective FQ1'26. Previously, 200mm equipment business was in Applied Global Services

CFO SUMMARY

- AI growth we've been investing for is now in full force
- WFE mix has shifted to leading-edge foundry-logic, DRAM and advanced packaging where Applied is #1 process equipment supplier
- Investing with confidence in R&D and operations to support strong, long-term growth expected by customers
- AI accelerates our innovation and revenue generation, increases operating leverage and shareholder returns

Q&A

Segment Financial Table

RECAST

In Millions, Except Percentages

	FY24	Q1F25	Q2F25	Q3F25	Q4F25
SEMICONDUCTOR SYSTEMS					
Revenue	\$ 21,014	\$ 5,597	\$ 5,401	\$ 5,564	\$ 4,879
Foundry, logic and other	70%	69%	66%	69%	66%
DRAM	26%	27%	27%	22%	28%
Flash memory	4%	4%	7%	9%	6%
Operating income	\$ 6,674	\$ 1,872	\$ 1,770	\$ 1,837	\$ 1,430
Operating margin	31.8%	33.4%	32.8%	33.0%	29.3%
Non-GAAP results					
Non-GAAP operating income	\$ 6,723	\$ 1,886	\$ 1,781	\$ 1,849	\$ 1,442
Non-GAAP operating margin	32.0%	33.7%	33.0%	33.2%	29.6%

APPLIED GLOBAL SERVICES

Revenue	\$ 5,122	\$ 1,353	\$ 1,420	\$ 1,463	\$ 1,506
Operating income	\$ 1,328	\$ 336	\$ 378	\$ 400	\$ 433
Operating margin	25.9%	24.8%	26.6%	27.3%	28.8%
Non-GAAP results					
Non-GAAP operating income	\$ 1,330	\$ 337	\$ 378	\$ 400	\$ 434
Non-GAAP operating margin	26.0%	24.9%	26.6%	27.3%	28.8%

OTHER

Revenue	\$ 1,040	\$ 216	\$ 279	\$ 275	\$ 415
Operating income (loss)	\$ (135)	\$ (33)	\$ 21	\$ (4)	\$ (151)

PREVIOUSLY REPORTED

In Millions, Except Percentages

	FY24	Q1F25	Q2F25	Q3F25	Q4F25
SEMICONDUCTOR SYSTEMS					
Revenue	\$ 19,911	\$ 5,356	\$ 5,255	\$ 5,427	\$ 4,760
Foundry, logic and other	68%	68%	65%	69%	65%
DRAM	28%	28%	27%	22%	29%
Flash memory	4%	4%	8%	9%	6%
Operating income	\$ 6,981	\$ 1,986	\$ 1,900	\$ 1,966	\$ 1,527
Operating margin	35.1%	37.1%	36.2%	36.2%	32.1%
Non-GAAP results					
Non-GAAP operating income	\$ 7,021	\$ 1,998	\$ 1,911	\$ 1,977	\$ 1,538
Non-GAAP operating margin	35.3%	37.3%	36.4%	36.4%	32.3%

APPLIED GLOBAL SERVICES

Revenue	\$ 6,225	\$ 1,594	\$ 1,566	\$ 1,600	\$ 1,625
Operating income	\$ 1,812	\$ 447	\$ 446	\$ 445	\$ 454
Operating margin	29.1%	28.0%	28.5%	27.8%	27.9%
Non-GAAP results					
Non-GAAP operating income	\$ 1,812	\$ 447	\$ 446	\$ 445	\$ 454
Non-GAAP operating margin	29.1%	28.0%	28.5%	27.8%	27.9%

CORPORATE AND OTHER

Revenue	\$ 1,040	\$ 216	\$ 279	\$ 275	\$ 415
Operating income (loss)	\$ (926)	\$ (258)	\$ (177)	\$ (178)	\$ (269)

For a reconciliation of GAAP to non-GAAP results, see the appendix of this presentation and the non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com.

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Capital Allocation Strategy

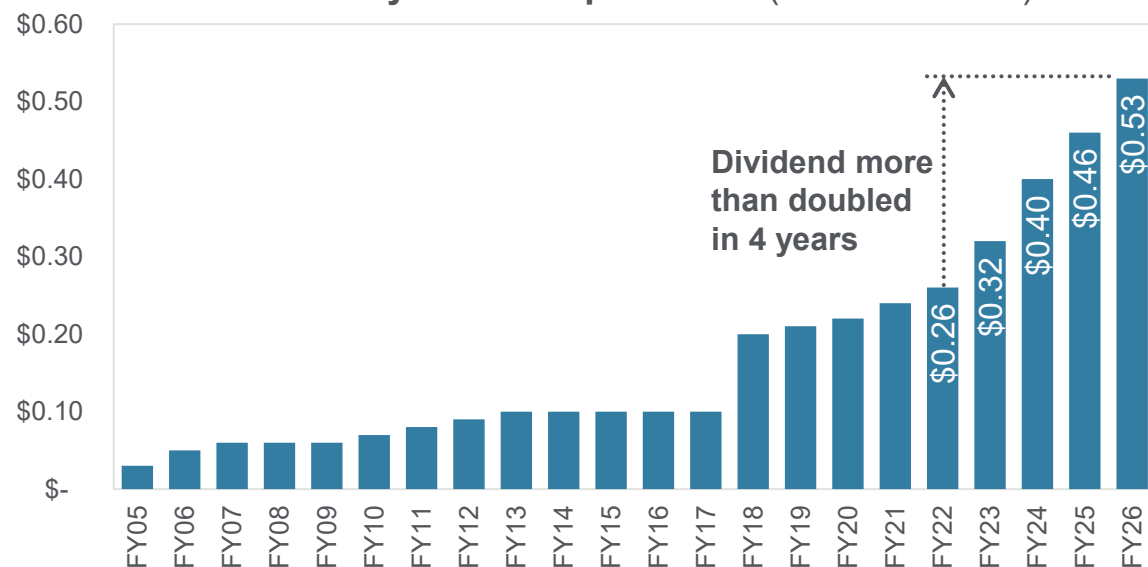
1. Invest in R&D and infrastructure to enable profitable growth

2. Grow dividend per share and use buybacks to distribute excess FCF

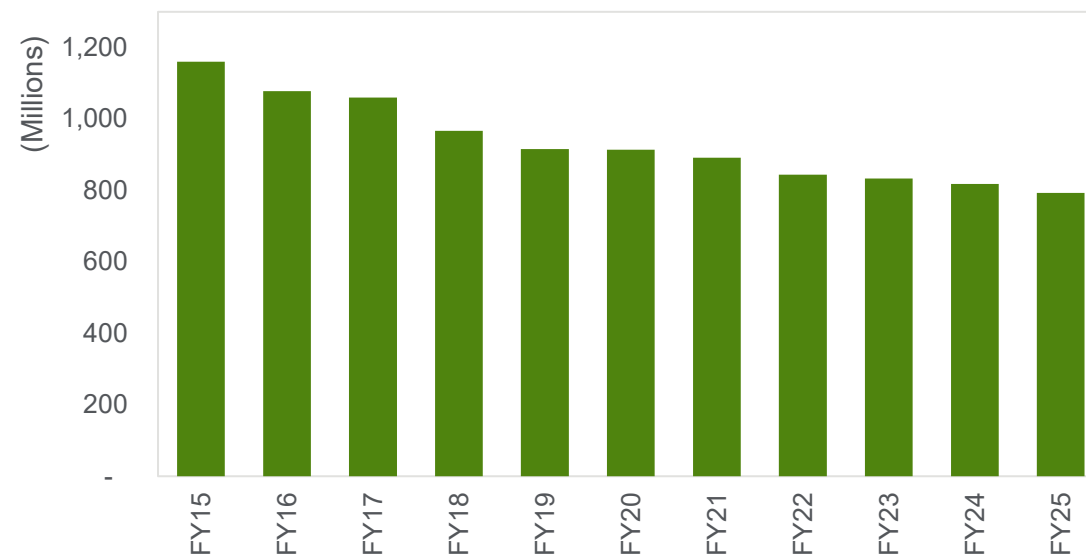
OVER PAST 10 FISCAL YEARS (through FY25)

- » Reinvested nearly \$25B in R&D and >\$8B in capital additions
- » Distributed nearly 90% of FCF*
- » Grew dividend per share at 16% CAGR
- » Reduced shares outstanding by ~32%

Quarterly Dividend per Share (declared in Q2)



Shares Outstanding at FY End



Distributed >90% of FCF* to shareholders over trailing five years

\$13.2B remaining on share repurchase authorization at end of FQ2'26

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

Strong Investment-Grade Balance Sheet

	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
CASH AND INVESTMENTS (\$M)					
Cash and Cash Equivalents	6,169	5,384	7,241	7,218	6,301
Short-Term Investments	578	1,630	1,332	1,293	1,940
Long-Term Investments	3,638	4,133	4,327	4,968	5,142
Total Cash and Investments	10,385	11,147	12,900	13,479	13,383
DEBT (\$M)					
Short-Term Debt*	799	799	100	100	1,199
Current ratings (Moody's / S&P): P-1 / A-1					
Long-Term Debt	5,462	5,463	6,455	6,453	5,256
Current ratings (Moody's / S&P): A2 / A					
Total Debt	6,261	6,262	6,555	6,553	6,455

* Includes commercial paper and current portion of long-term debt



NET ZERO 2040 PLAYBOOK™

Link: [2024 Impact Report](#)

LATEST 3rd PARTY ESG RATINGS

CDP Climate	B
CDP Water	A-
MSCI	AAA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	1/2/1

Additional Resources

Investor Relations Home Page

[LINK](#)

Newsroom

[LINK](#)

2026: 2026 Logic Master Class

[LINK](#)

2026: SPIE Advanced Lithography + Patterning Conference

[LINK](#)

2025: SEMICON West Technology Breakfast

[LINK](#)

Appendix GAAP to Non-GAAP Reconciliations

Use of Non-GAAP Financial Measures

Applied provides investors with certain non-GAAP financial measures, which are adjusted for the impact of certain costs, expenses, gains and losses, including, as applicable, certain items related to mergers and acquisitions; restructuring and severance charges and any associated adjustments; legal settlement charges; impairments of assets; gain or loss, dividends and impairments on strategic investments; certain income tax items; and other discrete adjustments. On a non-GAAP basis, the tax effect related to share-based compensation is recognized ratably over the fiscal year. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided in the appendix to this presentation and on Applied's website, ir.appliedmaterials.com.

Management uses these non-GAAP 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 its 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 management does not believe are indicative of Applied's 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.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Non-GAAP Gross Profit

	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
GAAP reported gross profit	\$ 3,485	\$ 3,562	\$ 3,265	\$ 3,435	\$ 3,947
Certain items associated with acquisitions ¹	6	7	7	7	6
Non-GAAP gross profit	<u>\$ 3,491</u>	<u>\$ 3,569</u>	<u>\$ 3,272</u>	<u>\$ 3,442</u>	<u>\$ 3,953</u>
Non-GAAP gross margin	49.2 %	48.9 %	48.1 %	49.1 %	50.0 %

Non-GAAP Operating Income

GAAP reported operating income	\$ 2,169	\$ 2,233	\$ 1,712	\$ 1,831	\$ 2,523
Certain items associated with acquisitions ¹	11	11	11	11	10
Acquisition integration and deal costs	—	1	2	—	3
Impairment of goodwill	—	—	41	—	—
Legal settlement ²	—	—	—	253	—
Restructuring charges ³	—	—	181	12	—
Non-GAAP operating income	<u>\$ 2,180</u>	<u>\$ 2,245</u>	<u>\$ 1,947</u>	<u>\$ 2,107</u>	<u>\$ 2,536</u>
Non-GAAP operating margin	30.7 %	30.7 %	28.6 %	30.0 %	32.1 %

Non-GAAP Net Income

GAAP reported net income	\$ 2,137	\$ 1,779	\$ 1,897	\$ 2,026	\$ 2,806
Certain items associated with acquisitions ¹	11	11	11	11	10
Acquisition integration and deal costs	—	1	2	—	3
Impairment of goodwill	—	—	41	—	—
Legal settlement ²	—	—	—	253	—
Restructuring charges ³	—	—	181	12	—
Realized loss (gain), dividends and impairments on strategic investments, net	(18)	16	(55)	14	15
Unrealized loss (gain) on strategic investments, net	(80)	(314)	(467)	(484)	(685)
Foreign exchange loss (gain) related to purchase of strategic investment	23	—	—	—	—
Loss (gain) on asset sale	(44)	—	—	—	—
Income tax effect of share-based compensation ⁴	4	7	(1)	(21)	7
Income tax effect related to intra-entity intangible asset transfers	32	32	39	31	32
Resolution of prior years' income tax filings and other tax items ⁵	(124)	460	(7)	40	9
Income tax effect of non-GAAP adjustments ⁶	(1)	(3)	91	17	89
Non-GAAP net income	<u>\$ 1,940</u>	<u>\$ 1,989</u>	<u>\$ 1,732</u>	<u>\$ 1,899</u>	<u>\$ 2,286</u>

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Charge of \$253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.
3. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
4. GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
5. Amount for the third quarter of fiscal 2025 included the impact of the recognition of a \$410 million valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.
6. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
Non-GAAP Earnings Per Diluted Share					
GAAP reported earnings per diluted share	\$ 2.63	\$ 2.22	\$ 2.38	\$ 2.54	\$ 3.51
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Impairment of goodwill	—	—	0.05	—	—
Legal settlement	—	—	—	0.32	—
Restructuring charges	—	—	0.19	0.02	—
Realized loss (gain), dividends and impairments on strategic investments, net	(0.02)	0.02	(0.07)	0.01	0.08
Unrealized loss (gain) on strategic investments, net	(0.10)	(0.39)	(0.43)	(0.58)	(0.80)
Foreign exchange loss (gain) related to purchase of strategic investment	0.03	—	—	—	—
Loss (gain) on asset sale	(0.05)	—	—	—	—
Income tax effect of share-based compensation	—	0.01	—	(0.03)	0.01
Income tax effects related to intra-entity intangible asset transfers	0.04	0.04	0.05	0.04	0.04
Resolution of prior years' income tax filings and other tax items ¹	(0.15)	0.57	(0.01)	0.05	0.01
Non-GAAP earnings per diluted share	<u>\$ 2.39</u>	<u>\$ 2.48</u>	<u>\$ 2.17</u>	<u>\$ 2.38</u>	<u>\$ 2.86</u>
Weighted average number of diluted shares	812	802	798	799	799

FOOTNOTES:

1. Amount for the third quarter of fiscal 2025 included a \$0.51 per diluted share impact of the recognition of a valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Gross Profit

	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
GAAP reported gross profit	\$ 2,889	\$ 2,970	\$ 2,569	\$ 2,794	\$ 3,264
Certain items associated with acquisitions ¹	6	7	7	7	6
Non-GAAP gross profit	<u>\$ 2,895</u>	<u>\$ 2,977</u>	<u>\$ 2,576</u>	<u>\$ 2,801</u>	<u>\$ 3,270</u>
Non-GAAP gross margin	53.6 %	53.5 %	52.8 %	54.5 %	54.8 %

AGS Non-GAAP Gross Profit

GAAP reported gross profit	\$ 476	\$ 494	\$ 514	\$ 537	\$ 577
Non-GAAP gross profit	<u>\$ 476</u>	<u>\$ 494</u>	<u>\$ 514</u>	<u>\$ 537</u>	<u>\$ 577</u>
Non-GAAP gross margin	33.5 %	33.8 %	34.1 %	34.4 %	34.7 %

Semiconductor Systems Non-GAAP Operating Income

GAAP reported operating income	\$ 1,770	\$ 1,837	\$ 1,430	\$ 1,427	\$ 2,092
Certain items associated with acquisitions ¹	11	11	11	11	10
Acquisition integration and deal costs	—	1	1	—	—
Legal settlement ²	—	—	—	253	—
Non-GAAP operating income	<u>\$ 1,781</u>	<u>\$ 1,849</u>	<u>\$ 1,442</u>	<u>\$ 1,691</u>	<u>\$ 2,102</u>
Non-GAAP operating margin	33.0 %	33.2 %	29.6 %	32.9 %	35.2 %

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 378	\$ 400	\$ 433	\$ 438	\$ 487
Acquisition integration and deal costs	—	—	1	—	—
Non-GAAP operating income	<u>\$ 378</u>	<u>\$ 400</u>	<u>\$ 434</u>	<u>\$ 438</u>	<u>\$ 487</u>
Non-GAAP operating margin	26.6 %	27.3 %	28.8 %	28.1 %	29.2 %

FOOTNOTE:

- These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- Charge of \$253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.

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 other and included in consolidated operating income.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS	FQ2'25	FQ3'25	FQ4'25	FQ1'26	FQ2'26
GAAP reported Operating Expenses	\$ 1,316	\$ 1,329	\$ 1,553	\$ 1,604	\$ 1,424
Certain items associated with acquisitions ¹	(5)	(4)	(4)	(4)	(4)
Acquisition integration and deal costs	—	(1)	(2)	—	(3)
Impairment of goodwill	—	—	(41)	—	—
Legal settlement ²	—	—	—	(253)	—
Restructuring charges ³	—	—	(181)	(12)	—
Non-GAAP operating expenses	<u>\$ 1,311</u>	<u>\$ 1,324</u>	<u>\$ 1,325</u>	<u>\$ 1,335</u>	<u>\$ 1,417</u>

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Charge of \$253 million for settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.
3. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.

UNAUDITED QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FQ3'21		FQ4'21		FQ2'25		FQ3'25		FQ4'25		FQ1'26		FQ2'26	
Non-GAAP Free Cash Flows¹														
Cash provided by operating activities	\$	1,686	\$	1,148	\$	1,571	\$	2,634	\$	2,828	\$	1,686	\$	845
Capital expenditures		(137)		(206)		(510)		(584)		(785)		(646)		(635)
Non-GAAP free cash flow	\$	<u>1,549</u>	\$	<u>942</u>	\$	<u>1,061</u>	\$	<u>2,050</u>	\$	<u>2,043</u>	\$	<u>1,040</u>	\$	<u>210</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

UNAUDITED FULL YEAR RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FY2016	FY2017	FY2018	FY2019	FY2020
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 2,566	\$ 3,789	\$ 3,787	\$ 3,247	\$ 3,804
Capital expenditures	(253)	(345)	(622)	(441)	(422)
Non-GAAP free cash flow	<u>\$ 2,313</u>	<u>\$ 3,444</u>	<u>\$ 3,165</u>	<u>\$ 2,806</u>	<u>\$ 3,382</u>

IN MILLIONS	FY2021	FY2022	FY2023	FY2024	FY2025
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 5,442	\$ 5,399	\$ 8,700	\$ 8,677	\$ 7,958
Capital expenditures	(668)	(787)	(1,106)	(1,190)	(2,260)
Non-GAAP free cash flow	<u>\$ 4,774</u>	<u>\$ 4,612</u>	<u>\$ 7,594</u>	<u>\$ 7,487</u>	<u>\$ 5,698</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the third quarter of fiscal 2026 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of ~\$11 million, includes the normalized tax benefit of share-based compensation of ~\$4 million and includes a net income tax benefit related to intra-entity intangible asset transfers of ~\$32 million, 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.



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