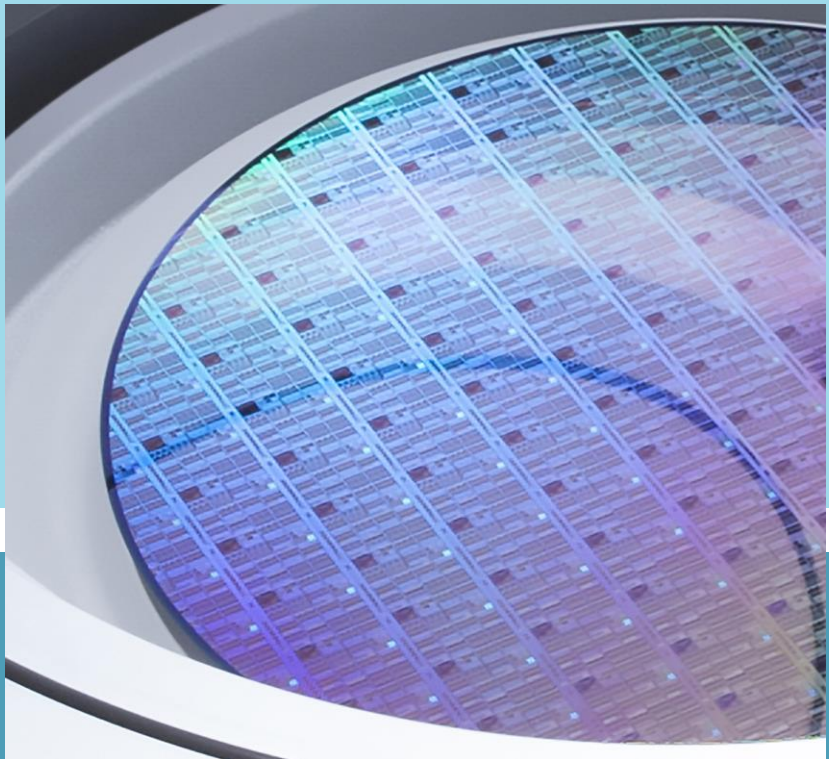


Q2 FY2016 Earnings Call

GAAP to non-GAAP Reconciliations

May 19, 2016



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

	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
<i>(In millions, except percentages)</i>					
Non-GAAP Adjusted Gross Profit					
Reported gross profit - GAAP basis	\$ 1,004	\$ 916	\$ 1,016	\$ 1,920	\$ 1,975
Certain items associated with acquisitions ¹	41	42	39	83	79
Reversals related to restructuring, net ⁴	-	(1)	-	(1)	-
Non-GAAP adjusted gross profit	\$ 1,045	\$ 957	\$ 1,055	\$ 2,002	\$ 2,054
Non-GAAP adjusted gross margin	42.7%	42.4%	43.2%	42.5%	42.8%
Non-GAAP Adjusted Operating Income					
Reported operating income - GAAP basis	\$425	\$354	\$416	\$779	\$874
Certain items associated with acquisitions ¹	46	48	45	94	91
Acquisition integration costs	-	-	-	-	1
Gain on derivatives associated with terminated business combination, net	-	-	(14)	-	(92)
Certain items associated with terminated business combination ²	-	-	29	-	49
Reversals related to restructuring, net ^{3,4}	(1)	(1)	-	(2)	-
Non-GAAP adjusted operating income	\$ 470	\$ 401	\$ 476	\$ 871	\$ 923
Non-GAAP adjusted operating margin	19.2%	17.8%	19.5%	18.5%	19.2%
Non-GAAP Adjusted Net Income					
Reported net income - GAAP basis ⁵	\$ 320	\$ 286	\$ 364	\$ 606	\$712
Certain items associated with acquisitions ¹	46	48	45	94	91
Acquisition integration costs	-	-	-	-	1
Gain on derivatives associated with terminated business combination, net	-	-	(14)	-	(92)
Certain items associated with terminated business combination ²	-	-	29	-	49
Reversals related to restructuring, net ^{3,4}	(1)	(1)	-	(2)	-
Impairment (gain on sale) of strategic investments, net	(1)	(2)	6	(3)	7
Loss on early extinguishment of debt	-	5	-	5	-
Reinstatement of federal R&D tax credit, resolution of prior years' income tax filings and other tax items ⁵	16	(29)	(54)	(13)	(71)
Income tax effect of non-GAAP adjustments	(4)	(5)	(14)	(9)	3
Non-GAAP adjusted net income	\$ 376	\$ 302	\$ 362	\$ 678	\$700

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

2 These items are incremental charges related to the terminated business combination agreement with Tokyo Electron Limited, consisting of acquisition-related and integration planning costs.

3 Results for the three months ended May 1, 2016 included a \$1 million favorable adjustment of employee-related costs associated with the cost reductions in the solar business.

4 Results for the three months ended January 31, 2016 included a \$1 million benefit from sales of solar equipment tools for which inventory had been previously reserved related to the cost reductions in the solar business.

5 Amounts for three and six months ended April 26, 2015 included an adjustment to decrease the provision for income taxes by \$39 million and \$35 million, respectively, with a corresponding increase in net income, resulting in an increase in diluted earnings per share of \$0.03. The adjustment was excluded in Applied's non-GAAP adjusted results and was made primarily to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, which resulted in overstating profitability in the U.S. and the provision for income taxes in immaterial amounts in each year since fiscal 2010.

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

	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
<i>(In millions, except per share amounts)</i>					
Non-GAAP Adjusted Earnings Per Diluted Share					
Reported earnings per diluted share - GAAP basis ¹	\$0.29	\$0.25	\$0.29	\$0.53	\$0.57
Certain items associated with acquisitions	0.04	0.04	0.03	0.08	0.07
Certain items associated with terminated business combination net	-	-	0.02	-	0.03
Reinstatement of federal R&D tax credit, resolution of prior years' income tax filings and other tax items ¹	-	-	(0.01)	-	(0.05)
	0.01	(0.03)	(0.04)	(0.01)	(0.06)
Non-GAAP adjusted earnings per diluted share	<u>\$0.34</u>	<u>\$0.26</u>	<u>\$0.29</u>	<u>\$0.60</u>	<u>\$0.56</u>
Weighted average number of diluted shares	1,119	1,154	1,241	1,137	1,241

¹ Amounts for three and six months ended April 26, 2015 included an adjustment to decrease the provision for income taxes by \$39 million and \$35 million, respectively, with a corresponding increase in net income, resulting in an increase in diluted earnings per share of \$0.03. The adjustment was excluded in Applied's non-GAAP adjusted results and was made primarily to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, which resulted in overstating profitability in the U.S. and the provision for income taxes in immaterial amounts in each year since fiscal 2010.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED
SILICON SYSTEMS OPERATING MARGIN

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
Reported operating income (GAAP basis)	\$ 364	\$ 265	\$ 374	\$ 629	\$ 681
Certain items associated with acquisitions	46	47	44	93	87
Non-GAAP adjusted operating income	\$ 410	\$ 312	\$ 418	\$ 722	\$ 768
Non-GAAP adjusted operating margin (% of net sales)	25.8%	22.7%	26.8%	24.4%	25.5%

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

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
Reported operating income (GAAP basis)	\$ 171	\$ 156	\$ 170	\$ 327	\$ 323
Certain items associated with acquisitions	-	-	-	-	1
Non-GAAP adjusted operating income	\$ 171	\$ 156	\$ 170	\$ 327	\$ 324
Non-GAAP adjusted operating margin (% of net sales)	26.4%	24.9%	26.3%	25.7%	26.4%

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED
DISPLAY OPERATING MARGIN

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
Reported operating income (GAAP basis)	\$ 29	\$ 38	\$ 40	\$ 67	\$ 112
Certain items associated with acquisitions	-	-	-	-	1
Non-GAAP adjusted operating income	<u>\$ 29</u>	<u>\$ 38</u>	<u>\$ 40</u>	<u>\$ 67</u>	<u>\$ 113</u>
Non-GAAP adjusted operating margin (% of net sales)	17.4%	17.8%	24.5%	17.6%	25.8%

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EES
OPERATING MARGIN

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	May 1, 2016	Jan 31, 2016	Apr 26, 2015	May 1, 2016	Apr 26, 2015
Reported operating income (loss) (GAAP basis)	\$ -	\$ 6	\$ (5)	\$ 6	\$ (9)
Certain items associated with acquisitions	-	1	1	1	2
Reversals related to restructuring, net	(1)	(3)	-	(4)	-
Non-GAAP adjusted operating income (loss)	<u>\$ (1)</u>	<u>\$ 4</u>	<u>\$ (4)</u>	<u>\$ 3</u>	<u>\$ (7)</u>
Non-GAAP adjusted operating margin (% of net sales)	(2.1)%	8.9%	(5.5)%	3.2%	(5.5)%

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

<i>(In millions)</i>	Three Months Ended	
	May 1, 2016	Jan 31, 2016
Operating expenses (GAAP basis)	\$ 579	\$ 562
Reversals related to restructuring, net	1	-
Certain items associated with acquisitions	(5)	(6)
Non-GAAP adjusted operating expenses	\$ 575	\$ 556

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

	Three Months Ended
	May 1, 2016
<i>(In millions, except percentages)</i>	
Provision for income taxes (GAAP basis)	\$ 75
Reinstatement of federal R&D tax credit, resolutions of prior years' income tax filings and other tax items	(16)
Income tax effect of non-GAAP adjustments	4
Non-GAAP adjusted provision for income taxes	\$ 63
Income before income taxes (GAAP basis)	\$ 395
Certain items associated with acquisitions	46
Reversals related to restructuring, net	(1)
Gain on sale of strategic investments, net	(1)
Non-GAAP adjusted income before income taxes	\$ 439
Effective income tax rate (GAAP basis)	19.0%
Non-GAAP adjusted effective income tax rate	14.4%

APPLIED MATERIALS, INC.
RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the third quarter of fiscal 2016 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$47 million, or \$0.04 per share, but does not exclude other non-GAAP adjustments that may arise subsequent to May 19, 2016.