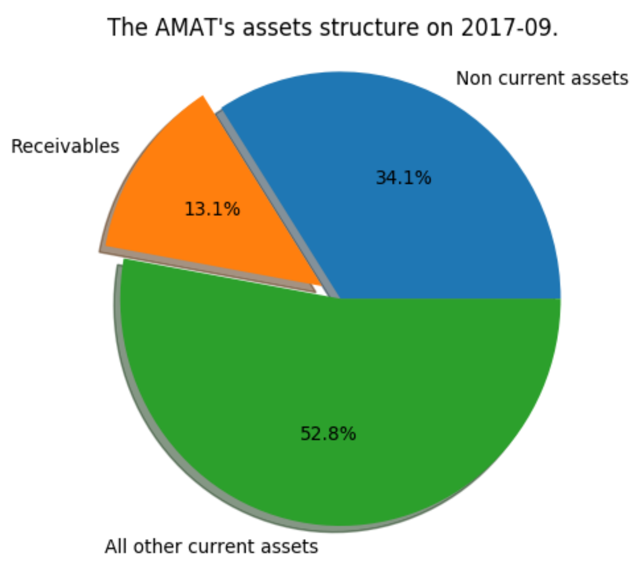
1. **Title** – AMAT's Financial Condition Analysis for the period 2014-10 to 2017-09
2. **Content**

1. AMAT's Financial Position Analysis

The analysis given below on AMAT’s financial state and operating efficiency is made for the p eriod 2014-10 to 2017-09 based on the financial statements data prepared according to Gene rally Accepted Accounting Principles (GAAP).

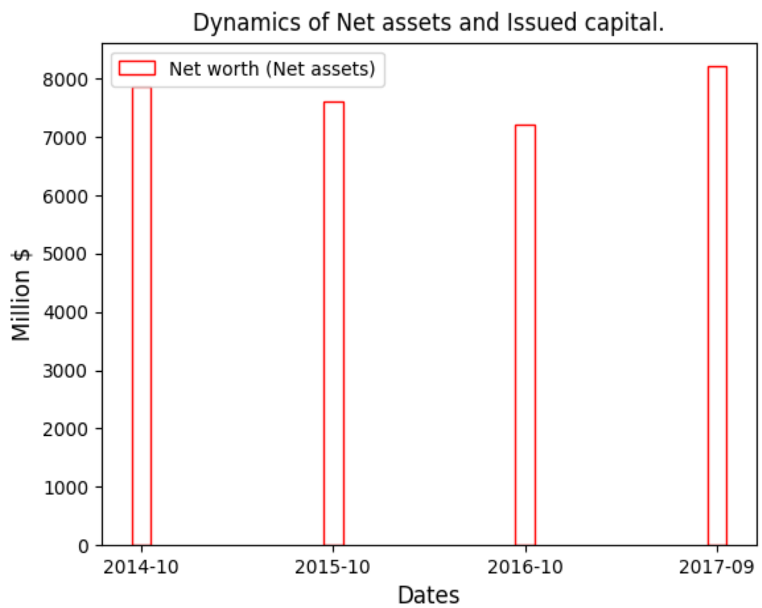
1.1. Structure of the Assets and Liabilities

	Value						Change for the Period Analyzed	
	In Million $				% of the Balance Total		Million $ (col.5-col.2)	± %((col.5-col.2) : col.2)
Indicator	2014-10	2015-10	2016-10	2017-09	At the Beginning of the Period Analyzed	At the End of the Period Analyzed		
Non current assets	6207.0	6047.0	6235.0	6222.0	47.12	34.11	15.0	0.24
Current Assets	6967.0	9261.0	8353.0	12018.0	52.88	65.89	5051.0	72.5
Inventory	1567.0	1833.0	2050.0	2609.0	11.89	14.3	1042.0	66.5
Receivables	1670.0	1739.0	2279.0	2381.0	12.68	13.05	711.0	42.57
Cash and cash equivalents	3002.0	4797.0	3406.0	4944.0	22.79	27.11	1942.0	64.69
Net worth	7868.0	7613.0	7217.0	8212.0	59.72	45.02	344.0	4.37
Current Liabilities	2823.0	3798.0	3632.0	4097.0	21.43	22.46	1274.0	45.13
Non Current Liabilities	2483.0	3897.0	3739.0	5931.0	18.85	32.52	3448.0	138.86
Assets; Equity and Liabilities	13174.0	15308.0	14588.0	18240.0	100.0	100.0	5066.0	38.45



1.2. Net Assets(Net Worth)

Indicator	Value						Change	
	% of the Balance Total				In Million $		Million $ (col.3 - col.2)	± %((col.3 - col.2) : col.2)
	2014-10	2015-10	2016-10	2017-09	At the Beginning of the Period Analyzed	At the End of the Period Analyzed		
Net tangible assets	132.3	126.55	126.67	120.94	17429.0	22060.0	4631.0	26.57
Net worth	59.72	49.73	49.47	45.02	7868.0	8212.0	344.0	4.37

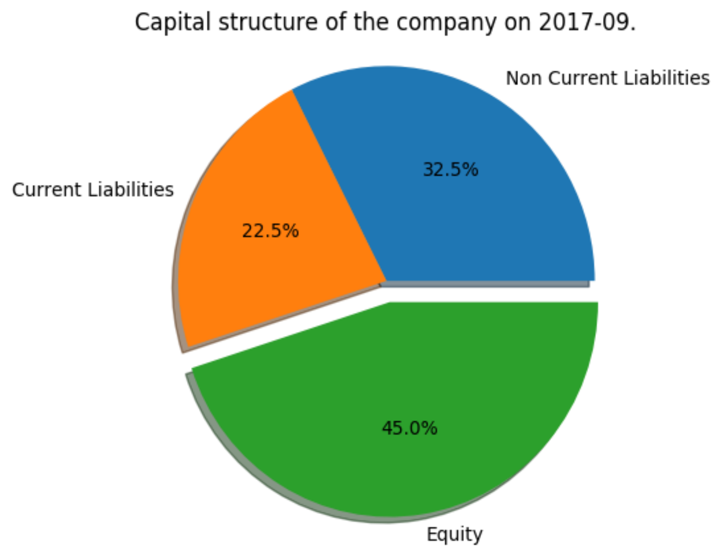


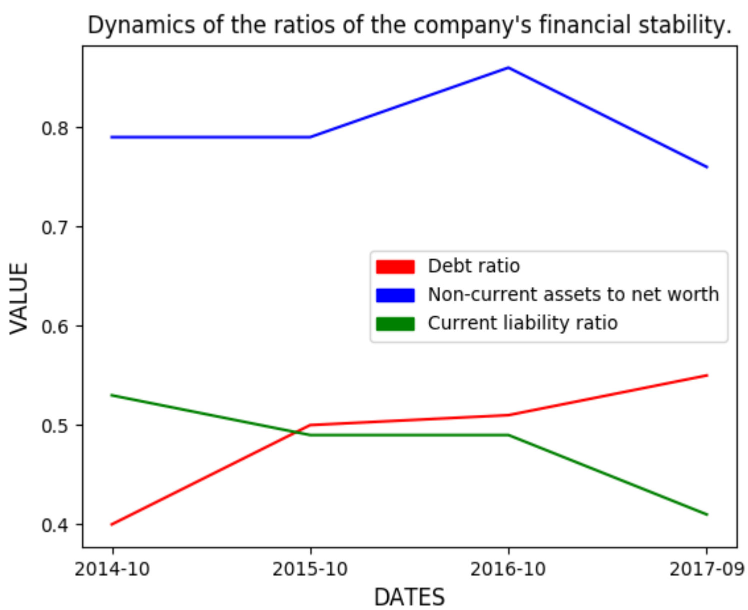
1.3 Financial Sustainability Analysis

1.3.1. Key ratios of the AMAT's financial sustainability

Ratio	Value				Change (col.5 -col.2)	Description of the ratio and its recommended value
	2014-10	2015-10	2016-10	2017-09		
Debt to equity ratio	0.25	0.6	0.46	0.67	0.42	A debt-to-equity ratio is calculated by taking the total liabilities and dividing it by shareholders' equity. It is the key financial ratio and used as a standard for judging a company's financial standing. Acceptable value: no more than 1.5 (optimum 0.43-1)
Debt ratio	0.4	0.5	0.51	0.55	0.15	A debt ratio is calculated by dividing total liabilities (i.e. long-term and short-term liabilities) by total assets. It shows how much the company relies on debt to finance assets (similar to debt-to-equity ratio). Normal value: 0.6 or less (optimum 0.3-0.5).
Long-term debt to equity ratio	0.25	0.44	0.44	0.65	0.4	This ratio is calculated by dividing long-term (non-current) liabilities by equity.

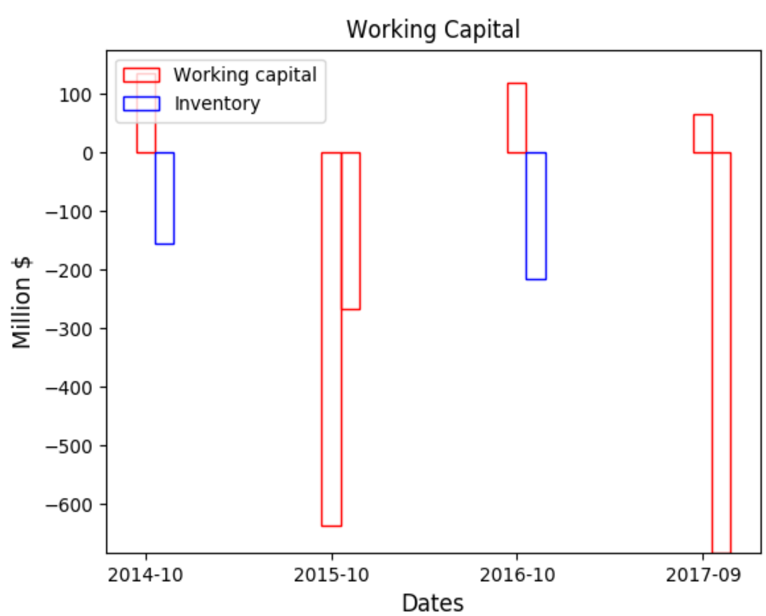
Non-current assets to net worth	0.79	0.79	0.86	0.76	-0.03	This ratio is calculated by dividing long-term (non-current) assets by net worth (equity) and measures the extent of a company's investment in low-liquidity non-current assets. This ratio is important for comparison analysis because it's less dependent on industry (structure of company's assets) than debt ratio and debt-to-equity ratio. Acceptable value: no more than 1.25.
Capitalization ratio	0.24	0.34	0.34	0.42	0.18	Calculated by dividing non-current liabilities by the sum of equity and non-current liabilities.
Fixed assets to net worth	13174.0	15308.0	14588.0	18240.0	5066.0	This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, investment property and non-current biological assets. Acceptable value: no more than 0.75.
Current liability ratio	0.53	0.49	0.49	0.41	-0.12	Current liability ratio is calculated by dividing current liabilities by total (i.e. current and non-current) liabilities.


Capital structure of the company on 2017-09.
Non Current Liabilities
32.5%
Current Liabilities
22.5%
45.0%
Equity


Dynamics of the ratios of the company's financial stability.
0.8
0.7
0.6
0.5
0.4
VALUE
Debt ratio
Non-current assets to net worth
Current liability ratio
2014-10
2015-10
2016-10
2017-09
DATES

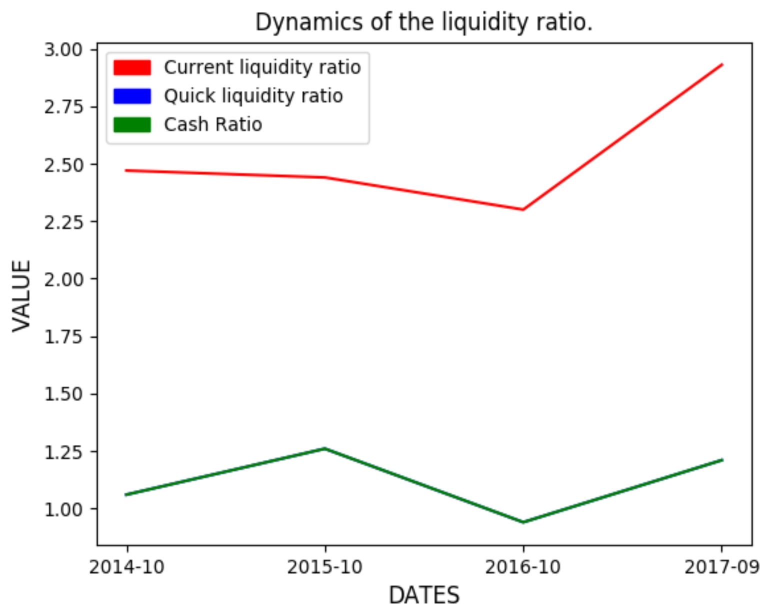
1.3.2. Working capital analysis

Indicator	Value				(col.5-col.2)	% ((col.5-col.2) : col.2)
	2014-10	2015-10	2016-10	2017-09		
Working capital (net working capital), Million Dollar	135.0	-635.0	119.0	66.0	-69.0	-51.11
Inventories, Million Dollar	-154.0	-266.0	-216.0	-683.0	-529.0	343.51
Working capital sufficiency	135.0	-635.0	119.0	66.0	-69.0	-51.11
Inventory to working capital ratio (2:1) Acceptable value: 1 or less.	-1.14	0.42	-1.82	-10.35	-9.21	807.89



1.4. Liquidity Analysis

Liquidity ratio	Value				Change (col.5-col.2)	Description of the ratio and its recommended value
	2014-10	2015-10	2016-10	2017-09		
Current ratio	2.47	2.44	2.3	2.93	0.46	The current ratio is calculated by dividing current assets by current liabilities. It indicates a company's ability to meet short-term debt obligations. Acceptable value: 2 or more.
Cash Ratio	1.06	1.26	0.94	1.21	0.15	Cash ratio is calculated by dividing absolute liquid assets (cash and cash equivalents) by current liabilities. Normal value: 0.2 or more.
Quick ratio	1.06	1.26	0.94	1.21	0.15	The quick ratio is calculated by dividing liquid assets (cash and cash equivalents, trade and other current receivables, other current financial assets) by current liabilities. It is a measure of a company's ability to meet its short-term obligations using its most liquid assets (near cash or quick assets). Normal value: 1 or more.



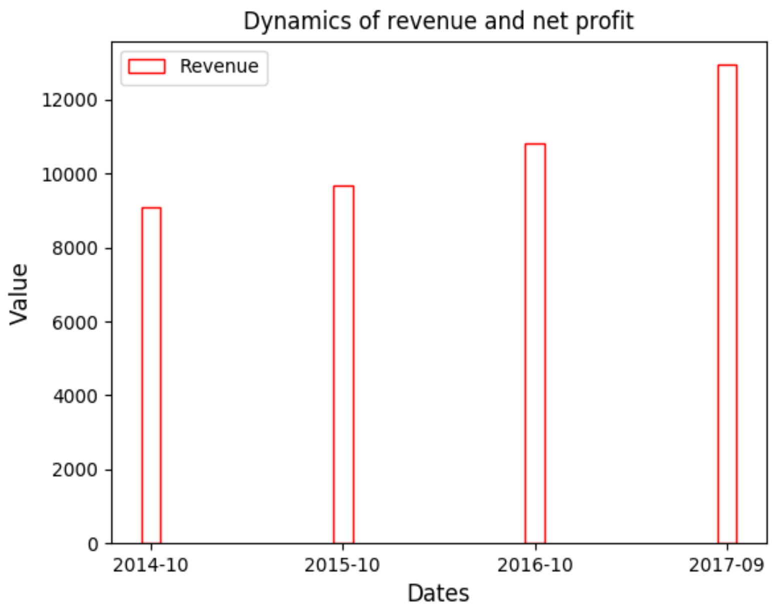
Dynamics of the liquidity ratio.
Current liquidity ratio
Quick liquidity ratio
Cash Ratio
VALUE
3.00
2.75
2.50
2.25
2.00
1.75
1.50
1.25
1.00
2014-10
2015-10
2016-10
2017-09
DATES

2. Financial Performance
2.1. Overview of the Financial Results

The table below gives information about the main financial results of “AMAT’s” activities for th e period analyzed (from 2014-10 to 2017-09).

Indicator	Value, million Dollars				Million Dollar (col.5 - col.2)	± %(5-2) : 2	Average annual value, Million Dollar
	2014-10	2015-10	2016-10	2017-09			
Revenue	9072.0	9659.0	10825.0	12942.0	3870.0	42.66	9193.48
Cost of revenue	5229.0	5707.0	6314.0	7306.0	2077.0	39.72	5474.02
Gross profit	3843.0	3952.0	4511.0	5636.0	1793.0	46.66	3719.46
Operating Expense	2323.0	2259.0	2359.0	2516.0	193.0	8.31	2316.65

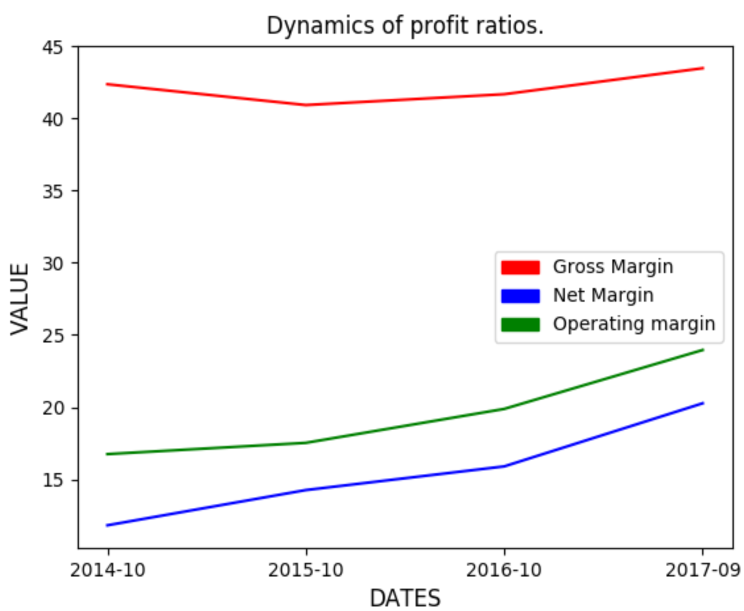
The revenue equaled $ 10825.0 m for the last year, at the same time for the period from 2014 -10 to 2017-09 the revenue was higher – $ 12942.0 m (the growth was equal to $ 2117.0 m). Despite multidirectional changes in the revenue, it was verified that its' increase was up on th e whole. The chart below demonstrates the change in revenue and a comprehensive income for “AMAT”. The gross profit amounted to $ 4511.0 m for the last year.
During the two years, it was observed that there was an obvious growing in the gross profit of 1.88 %.



2.2. Profitability Ratios

Profitability ratios	Value in %				Change (col.5 - col.2)
	2014-10	2015-10	2016-10	2017-09	
Gross Margin	42.36	40.92	41.67	43.47	1.11
Operation Margin	16.75	17.53	19.88	23.96	7.21
Net Margin	11.82	14.26	15.9	20.27	8.45

For the last period 2017-09, the company gained gross profit and profit from operational and f inancial activities.
The profitability calculated by earnings before interest and taxes (Return on sales) is more im portant from a comparative analyses point of view. During the last period, 2017-09, the return on sales was 23.96% per annum, and profitability calculated by net profit was 20.27% per an num.



To assess the liabilities that the company should repay for the use of borrowed capital, an int erest coverage ratio was calculated. The acceptable value is deemed to be not less than 1.5. In this case, the interest coverage ratio was during the last period, 2017-09, which is evidenc e of “AMAT’s” capability (inability) to pay interest on borrowed assets. It should be considered that not all interest payments are necessarily included on the income statement. In certain ca ses, interest is included in investments in non-current assets and as a result it is not used to c alculate the indicated ratio.

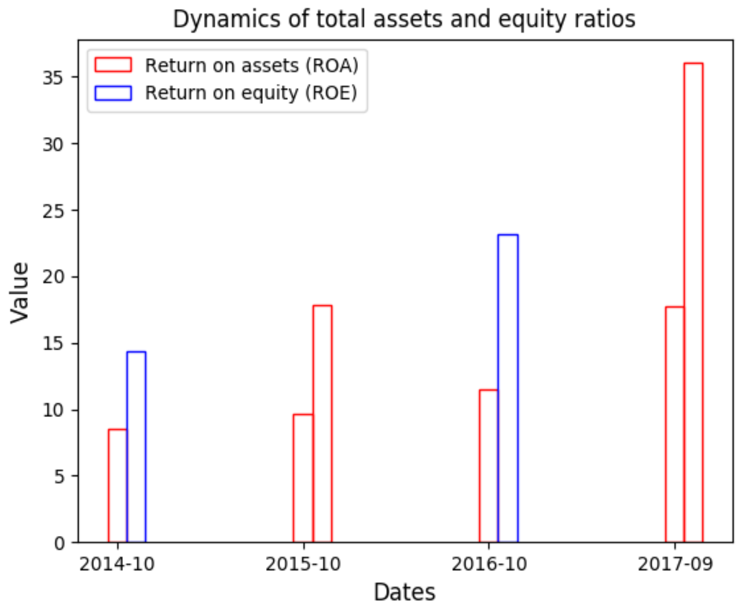
Profitability ratios	Value (per annum), %				Change (col.5 - col.2)	Description of the ratio and its reference value
	2014-10	2015-10	2016-10	2017-09		
ROA	8.5	9.67	11.51	17.72	9.22	ROA is calculated by dividing net income by total assets, and displayed as a percentage. Acceptable value: 6% or more.
ROE	14.34	17.79	23.21	36.04	21.7	ROE is calculated by taking a year's worth of earnings (net profit) and dividing them by the average shareholder equity for that period, and is expressed as a percentage. It is one of the most important financial ratios and profitability metrics. Acceptable value: no less than 12%.
ROIC	11.94	13.28	16.2	25.2	13.26	ROCE / ROIC is calculated by dividing EBIT by capital employed (equity plus non-current liabilities).It indicates the efficiency and profitability of a company's capital investments.

ROA is calculated by dividing net income by total assets, and displayed as a percentage. Acceptable value: 6% or more. ROE is calculated by taking a year's worth of earnings (net profit) and dividing them by the average shareholder equity for that period, and is expressed as a percentage. It is one of the most important financial ratios and profitability metrics. Acceptable value: no less than 12%. ROCE / ROIC is calculated by dividing EBIT by capital employed (equity plus non-current liabilities). It indicates the efficiency and profitability of a company's capital investments.

For the two years, the return on assets improved from 11.51% to 17.72% (by 6.21%). During the evaluated period, multidirectional changes in the return on assets (both growth and reduction) were observed;The return on assets mainly kept a acceptable value during the whole of the analyzed period, none the less it turned out to be above the norm for the last period 2017-09. ROA is calculated by dividing net income by total assets, and displayed as a percentage. Acceptable value: 6% or more.

One of the most important ratio of business profitability is the return on equity (ROE), which reflects the profitability of investments by the owners.

The following chart demonstrates the dynamics of the main rates of return on total assets and equity of “AMAT” for the period analyzed (from 2014-10 to 2017-09).


Dynamics of total assets and equity ratios
Return on assets (ROA)
Return on equity (ROE)
Value
35
30
25
20
15
10
5
0
2014-10
2015-10
2016-10
2017-09
Dates

2.3. Analysis of the Business Activity (Turnover Ratios)

To assess AMAT's business activity, the table below provides the main rates of turnover: rece ivables, inventory, current and total assets turnovers; accounts payable and capital turnovers of the company. Turnover ratios have strong industry specifics and depend on activity. This is why an absolute value of the ratios does not permit making a qualitative assessment.
When assets turnover ratios are analyzed, an increase in ratios (i.e. velocity of circulation) an d a reduction in circulation days are deemed to be positive dynamics. There is no well-define d interaction for accounts payable and capital turnover. In any case, an accurate conclusion c an only be made after the reasons that caused these changes are considered.

Turnover ratio	Value, days				Ratio	B Ratio	Change, days (col.5 - col.2)
	2014-10	2015-10	2016-10	2017-09			
Asset turnover	0.0	0.0	0.0	0.0	0.69	0.82	0.0
Current asset turnover	0.0	0.0	0.0	0.0	1.3	1.36	0.0
Inventory turnover	109.38	117.23	118.51	130.34	3.34	3.5	20.96
Receivables turnover	67.19	65.71	76.84	67.15	5.43	6.39	-0.04
Accounts payable turnover	42.79	42.08	47.0	46.41	0.0	0.0	3.62
Capital turnover	0.0	0.0	0.0	0.0	1.15	1.61	0.0
Reference: Cash conversion cycle	134	141	148	151	X	X	17.0