1. **Title** – AMAT's Financial Condition Analysis for the period 01-10-2014 to 21-09-2017

2. **Content**

1. AMAT's Financial Position Analysis

The analysis given below on AMAT’s financial state and operating efficiency is made for the period 01-10-20 14 to 21-09-2017 based on the financial statements data prepared according to Generally Accepted Account ing Principles (GAAP).

1.1. Structure of the Assets and Liabilities

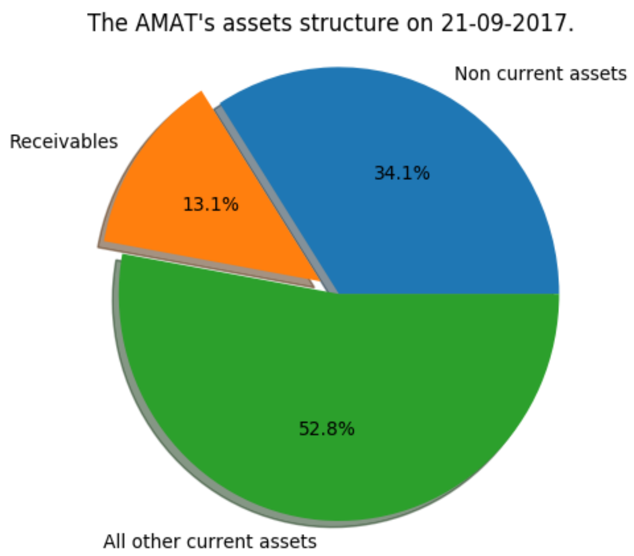
Indicator	Value						Change for the Period Analyzed	
	In Million $				% of the Balance Total		Million $ (col.5-col.2)	± %((col.5-col.2) : col.2)
	31-10-2014	31-10-2015	31-10-2016	21-09-2017	At the Beginning of the Period Analyzed	At the End of the Period Analyzed		
Non current assets	6207.0	6047.0	6235.0	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

According to the data in the table above, the share of AMAT’s current assets equaled about a (65.89%) on t he last day of the period analyzed (21-09-2017), while non-current assets equaled (34.11%) of all assets. An increase in assets to $18240.0m ($5066.0m) was seen during the reviewed period (from 01-10-2014 to 21-09-2017). This shrinkage of the equity value is a factor which negatively describes the dynamics of AMAT’s f inancial state.

The total growth of AMAT’s assets primarily connected with the value growth of the item Current Assets by $ 5051.0, that made 72.5% of all positively changed assets.

The most significant growth of sources of finance (“Equity and Liabilities”) is seen on the following rates (the percentages from total equity and liabilities change is shown in brackets).

+ Long-term debt $ 3355.0m (172.32%)

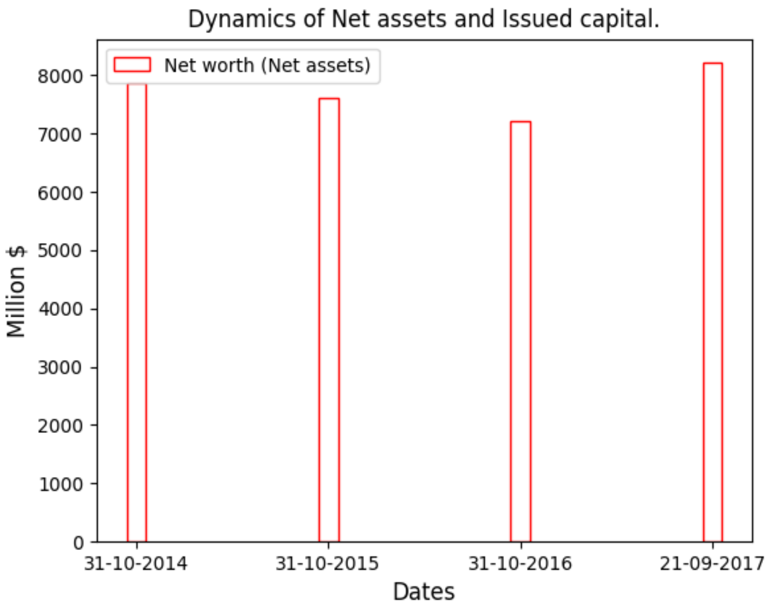


The inventories equaled $2609.0m on the last day of the period analyzed (21-09-2017). Total change in inventories were $1042.0m for the entire period.
The current receivables increased by $711.0m for the last 4 yrs.

1.2. Net Assets(Net Worth)

Indicator	Value						Change	
	% of the Balance Total				In Million $		Million $ (col.7 - col.6)	± %((col.7 - col.6) : col.6)
	31-10-2014	31-10-2015	31-10-2016	21-09-2017	At the Beginning of the Period Analyzed	At the End of the Period Analyzed		
Net tangible assets	67.7	73.45	73.33	79.06	8919.0	14420.0	5501.0	61.68
Net worth	59.72	49.73	49.47	45.02	7868.0	8212.0	344.0	4.37

The net tangible assets equaled $79.06m on the last day of the period analyzed. The net tangible assets significantly spiked (by 61.68%) for the entire period reviewed. The intangible assets were equal to $ 3820.0m at the end of the period reviewed. In addition, the increase tendency is also confirmed by a positive trend. This value shows the difference between the value of net tangible assets and all net worth.
The net worth (net assets) value is used as one of the tools to estimate the company's value (used together with other methods, such as discounted cash flow method, or an estimation based on shareholder's value etc.). But it is a key value in the estimation of the company's financial condition.



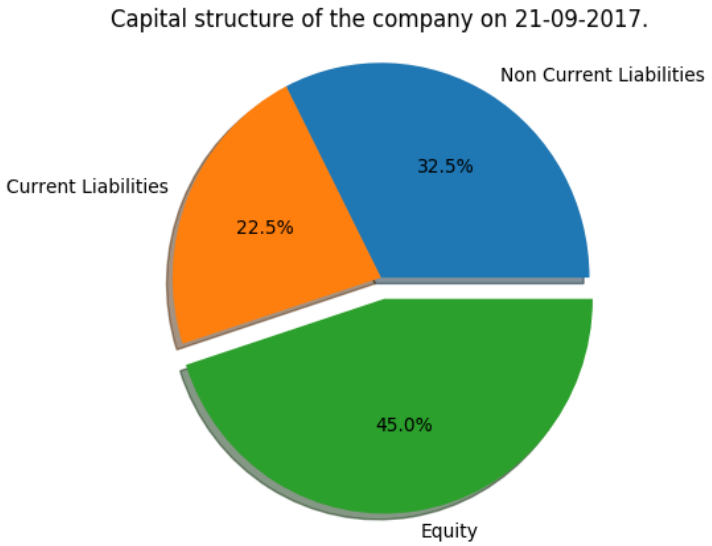
1.3 Financial Sustainability Analysis

1.3.1. Key ratios of the AMAT's financial sustainability

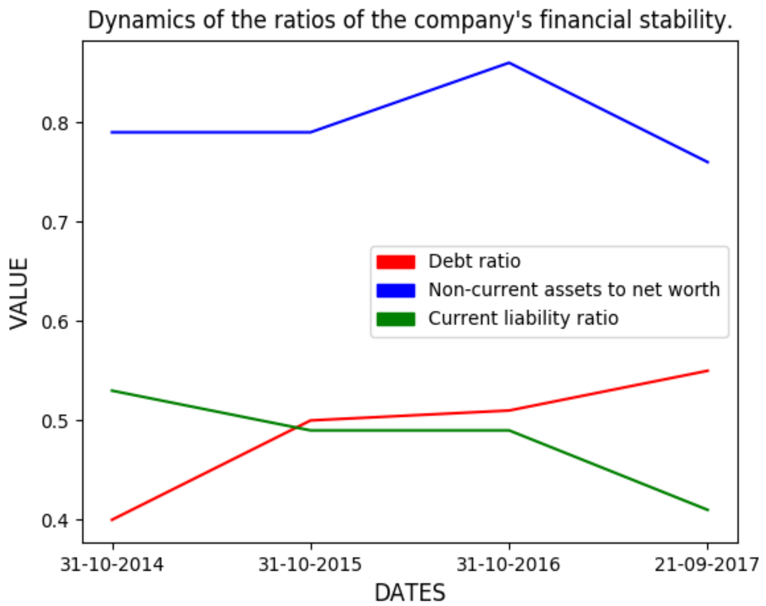
Ratio	Value				Change (col.5 -col.2)	Description of the ratio and its recommended value
	31-10-2014	31-10-2015	31-10-2016	21-09-2017		
Debt to equity ratio	0.25	0.6	0.46	0.67	0.42	A debt-to-equity ratio is calculated by taking the total liabilities and dividing it by shareholders' equity. It is the key 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	1.67	2.01	2.02	2.22	0.55	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.

First, attention should be drawn to the debt-to-equity ratio and debt ratio as the ratios describing the capital structure. Both ratios have similar meaning and indicate if there is not enough capital (equity) for stable work for the company. Debt-to-equity ratio is calculated as a relationship of the borrowed capital (liabilities) to the equity, while debt ratio is calculated as a relationship of the liabilities to the overall capital (i.e. the sum of equity and liabilities).
The debt-to-equity equaled 0.67 at the end of the period analyzed. At the end of the period reviewed, the debt ratio was equal to 0.55. An change in the debt ratio was 0.15 during the entire period analyzed.
The Capital structure of the AMAT is demonstrated in the chart below:



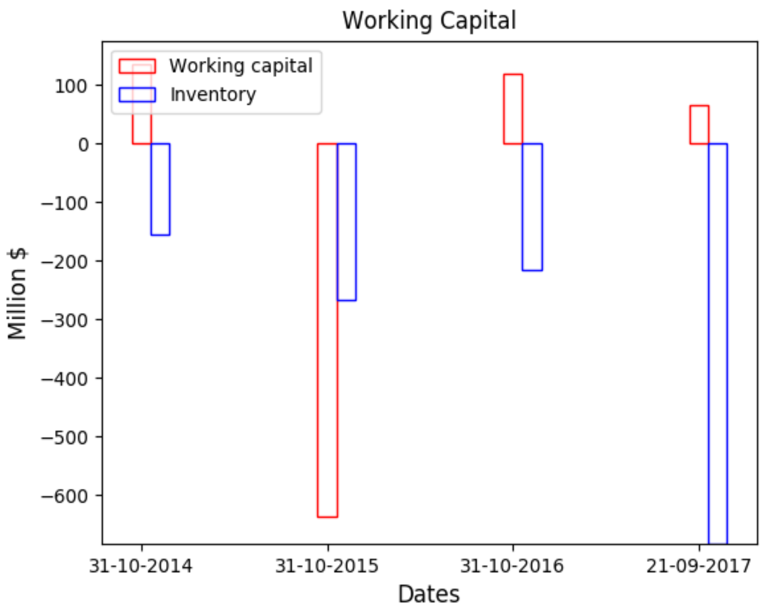
According to common rules, non-current investments should be made, in the first place, with the help of the most stable source of financing, i.e. with the help of own capital (equity). The non-current assets to Net worth ratio shows if this rule is followed. The ratio notably dropped to 0.03 during the period analyzed. On 21-09-2017, the ratio shows an excellent value.
The current liability ratio 0.41 shows that long-term debts make about 5302.0 on the last day of the period analyzed (21-09-2017), while short-term liabilities make 0 of the total liabilities of the company.
The following chart demonstrates the dynamics of the main ratios of financial stability of AMAT.



1.3.2. Working capital analysis

Indicator	Value				(col.5-col.2)	% ((col.5-col.2) : col.2)
	31-10-2014	31-10-2015	31-10-2016	21-09-2017		
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

The working capital was equal to $66.0m on the last day of period analyzed (21-09-2017), which considerabl y 69.0 ($ 135.0 m) the level of the working capital on the first day (01-10-2014). According to calculations, w orking capital fully covers the inventories of the company and is deemed to be a negative factor. The invento ry to working capital ratio equaled -10.35 on last day of period analysed (21-09-2017). It negatively describe s the company's financial state and says about not enough long-term sources of financing, but in some case s it can be caused with warehouse inventories that are too low.



1.4. Liquidity Analysis

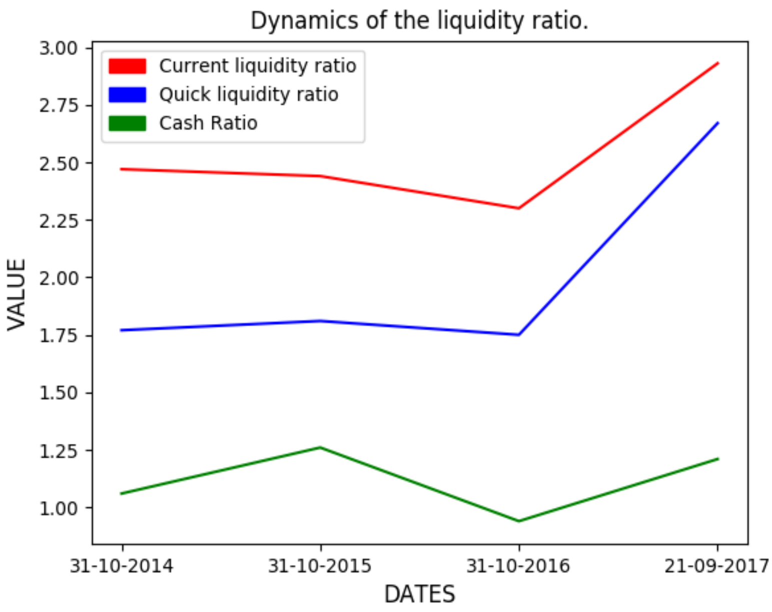
Liquidity related ratios are one of the most widespread indicators of a company's solvency. There are three liquidity related ratios: current ratio, quick ratio and cash ratio. Current ratio is one of the most widespread and shows to what degree the current assets of the company are meeting the current liabilities. The solvency of the company for the near future is described with the quick ratio which reflects if there are enough funds for normal execution of current transactions with creditors. The table below demonstrates all three liquidity ratios for AMAT.

Liquidity ratio	Value				Change (col.5-col.2)	Description of the ratio and its recommended value
	31-10-2014	31-10-2015	31-10-2016	21-09-2017		
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	1.77	1.81	1.75	2.67	0.9	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.

The current ratio amounted to 2.93 on 21-09-2017; that is 2.47 higher than on 01-10-2014. The value of the ratio can be characterized as very good on 21-09-2017. During the whole of the evaluated period, the current ratio kept a normal value.

The quick ratio was seen to go up from 1.77 to 2.67 for the period reviewed (01-10-2014 - 21-09-2017). During the reviewed period, multidirectional changes in the ratio (both growth and decrease) were verified. The value of the quick ratio can be described as very good on 21-09-2017. It means that AMAT has enough assets which can be transferred to cash in a very short time to meet current liabilities.

The value of the third ratio, the cash ratio, is similar to the two previous ratios, lies in the normal range at the end of the period analyzed. Company is observed to have enough cash and cash equivalents to meet current liabilities.



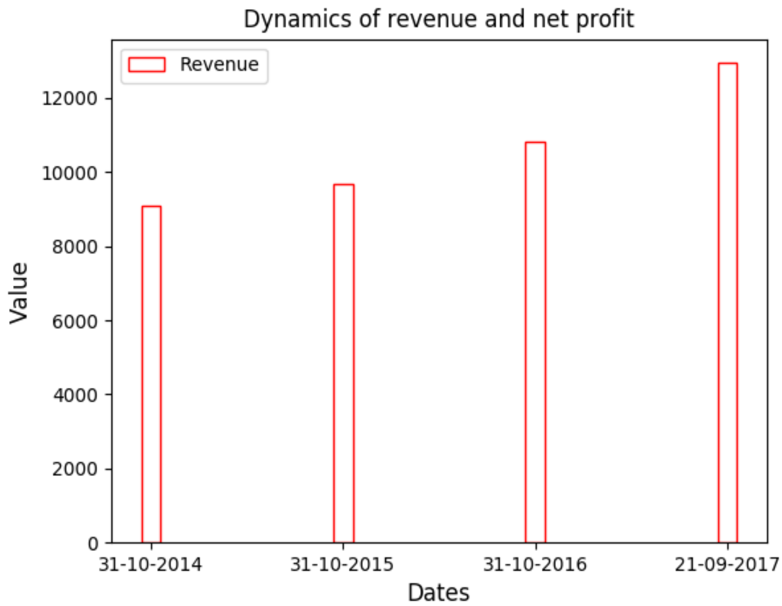
2. Financial Performance

2.1. Overview of the Financial Results

The table below gives information about the main financial results of AMAT's activities for the period analyze d (from 01-10-2014 to 21-09-2017).

Indicator	Value, million Dollars				Million Dollar (col.5 - col.2)	± %(5-2) : 2	Average annual value, Million $
	31-10-2014	31-10-2015	31-10-2016	21-09-2017			
Revenue	9072.0	9659.0	10825.0	12942.0	3870.0	42.66	10624.5
Cost of revenue	5229.0	5707.0	6314.0	7306.0	2077.0	39.72	6139.0
Gross profit	3843.0	3952.0	4511.0	5636.0	1793.0	46.66	4485.5
Other Income Expense	0.0	0.0	0.0	0.0	0.0	0	0.0
EBIT	3843.0	3952.0	4511.0	5636.0	1793.0	46.66	4485.5
Finance costs	-72.0	-95.0	-139.0	-137.0	-65.0	90.28	-110.75
Income Tax Payable	142.0	60.0	101.0	83.0	-59.0	-41.55	96.5
Operating Expense	2323.0	2259.0	2359.0	2516.0	193.0	8.31	2364.25

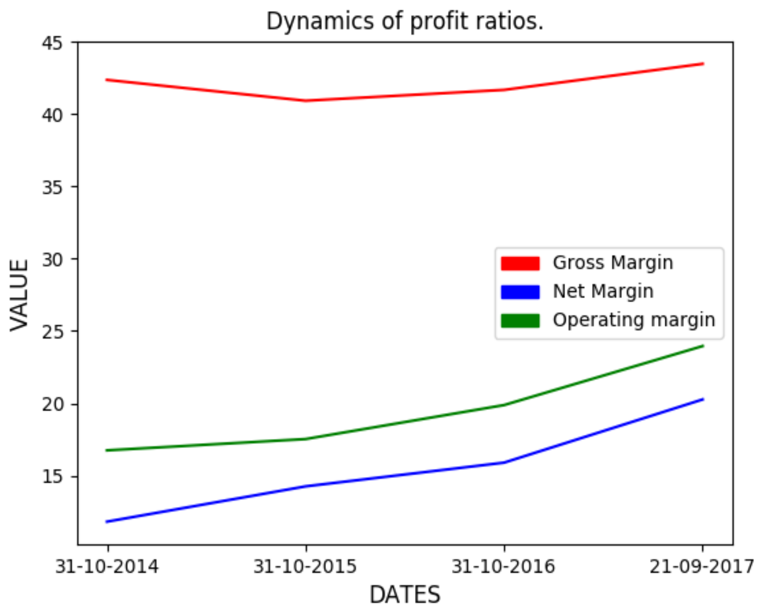
The revenue equaled $12942.0m for the last year 21-09-2017, though the revenue was lower $9072.0m (i.e. the increased equalled $3870.0m). Despite multidirectional changes in the revenue, it was verified tha t its' increase was up on the whole. The chart below demonstrates the change in revenue and a comprehen sive income for AMAT. The gross profit amounted to $3843.0m for the last year. During the analyzed period, it was observed that there was an obvious growing in the gross profit of $1793.0m or of 46.66%.



2.2. Profitability Ratios

Profitability ratios	Value in %				Change (col.5 - col.2)
	31-10-2014	31-10-2015	31-10-2016	21-09-2017	
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
Interest coverage ratio	-53.38	-41.6	-32.45	-41.14	12.24

For the last period 21-09-2017, the company gained gross profit and profit from operational and financial acti vities, which became a reason for positive values of all three profitability ratios given in the table for this peri od. During the period 01-10-2014, the gross margin amounted to 43.47%, which is much 1.11 (2.62%) than f or the period 21-09-2017.
The profitability calculated by earnings before interest and taxes (Return on sales) is more important from a comparative analyses point of view. During the last period, 21-09-2017, the return on sales was 23.96% per annum, and profitability calculated by net profit was 20.27% per annum.



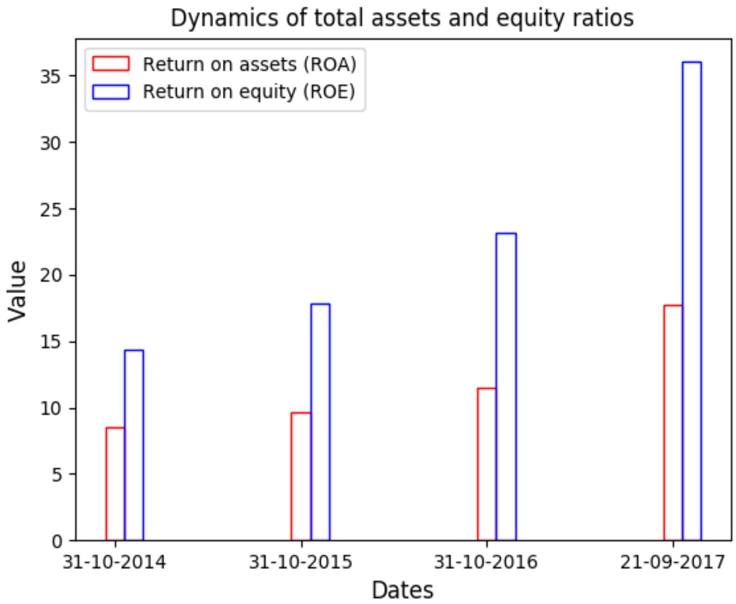
To assess the liabilities that the company should repay for the use of borrowed capital, an interest coverage ratio was calculated. The acceptable value is deemed to be not less than 1.5. In this case, the interest cover age ratio was -41.14 during the last period, 21-09-2017, which is evidence of AMAT's inability to pay interest on borrowed assets. It should be considered that not all interest payments are necessarily included on the i ncome statement. In certain cases, interest is included in investments in non-current assets and as a result i t is not used to calculate the indicated ratio.

Profitability ratios	Value (per annum), %				Change (col.5 - col.2)	Description of the ratio and its reference value
	31-10-2014	31-10-2015	31-10-2016	21-09-2017		
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.

For the period analyzed, the return on assets improved from 8.5% to 17.72% (by 9.22%). During the evaluated period, multidirectional changes in the return on assets (both growth and reduction) were observed; The return on assets mainly kept a unacceptable value during the whole of the analyzed period, none the less it turned out to be below the norm for the last period 21-09-2017.

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 return on equity for AMAT during the period 21-09-2017 was 36.04% per annum. Such a high rate is evidence of high business profitability, but it can also depend on internal macroeconomic conditions, under which the company works (for example, inflation rate, interest rates, etc).

The following chart demonstrates the dynamics of the main rates of return on total assets and equity of “AMAT” for the period analyzed (from 01-10-2014 to 21-09-2017).



Dynamics of total assets and equity ratios
Return on assets (ROA)
Return on equity (ROE)
Value
0
5
10
15
20
25
30
35
31-10-2014
31-10-2015
31-10-2016
21-09-2017
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: receivables, invent ory, current and total assets turnovers; accounts payable and capital turnovers of the company. Turnover rat ios have strong industry specifics and depend on activity. This is why an absolute value of the ratios does no t permit making a qualitative assessment.
When assets turnover ratios are analyzed, an increase in ratios (i.e. velocity of circulation) and a reduction i n circulation days are deemed to be positive dynamics. There is no well-defined interaction for accounts pay able and capital turnover. In any case, an accurate conclusion can only be made after the reasons that caus ed these changes are considered.

Turnover ratio	Value, days				Ratio	B Ratio	Change, days (col.5 - col.2)
	31-10-2014	31-10-2015	31-10-2016	21-09-2017			
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

* Calculation in days. Ratio value is equal to 365 divided by days outstanding.

For last year, the average collection period (Days Sales Outstanding) was 67.15 days and the average days payable outstanding was 46.41 days as shown in the table. The rate of asset turnover means that AMAT’s gains revenue equal to the sum of all the available assets every 365 days (on average during the entire peri od analyzed).

3. Conclusion

3.1. Key Ratios Summary

The main financial state indicator values and AMAT's activity results are classified by qualitative assessment according to the results of the analysis for the entire period reviewed and are given below.

The analysis revealed the following excellent financial characteristics:

The Debt to equity ratio demonstrates a excellent value of 0.67.
The Long-term debt to equity ratio demonstrates a excellent value of 0.65.
The Non-current assets to net worth demonstrates a excellent value of 0.76.
The Current ratio demonstrates a excellent value of 2.93.
The Cash Ratio demonstrates a excellent value of 1.21.
An excellent relationship between liquid assets (current assets minus inventories) and current liabilities (quick ratio is 2.67).
The Operation Margin demonstrates a excellent value of 23.96.
The ROA demonstrates a excellent value of 17.72.
The ROE demonstrates a excellent value of 36.04.

The analysis revealed the following good financial characteristics:

The Debt ratio demonstrates a fair value of 0.55.

The analysis revealed the following critical financial characteristics:

The Fixed assets to net worth demonstrates a critical value of 2.22.

3.2. Rating of the Financial Position and Financial Performance of AMAT

Financial performance for the period analyzed (01-10-2014–21-09-2017)	Financial position on 21-09-2017								
	AAA	AA	A	BBB	BB	B	CCC	CC	C
Excellent (AAA)	V								
Very good (AA)									
Good (A)									
Positive (BBB)									
Normal (BB)									
Satisfactory (B)									
Unsatisfactory (CCC)									
Adverse (CC)									
Bad (C)									
Critical (D)									

According to the analytical results given above, the following qualitative assessments were calculated: AMAT 's financial position score is 1.7 the financial performance score for the last two years is 2.0. According to the rating scale, it is AAA (excellent position) and AAA (excellent financial performance), respectively. These scores are obtained considering both key ratios at the end of the period analyzed and the dynamics of the ratios, including their expected values for the next year. Based on these two scores, the final rating score of AMAT 's financial condition was calculated (1.82). The financial condition was assessed at the AAA rate (excellent).