

APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

Fiscal Year	2019	2018	2017
Net sales	\$ 14,608	\$ 16,705	\$ 14,698
Cost of products sold	8,222	9,188	8,086
Gross profit	6,386	7,517	6,612
Operating expenses:			
Research, development and engineering	2,054	2,022	1,781
Marketing and selling	521	521	457
General and administrative	461	483	438
Total operating expenses	3,036	3,026	2,676
Income from operations	3,350	4,491	3,936
Interest expense	237	234	198
Interest and other income, net	156	139	78
Income before income taxes	3,269	4,396	3,816
Provision for income taxes	563	1,358	297
Net income	\$ 2,706	\$ 3,038	\$ 3,519
Earnings per share:			
Basic	\$ 2.89	\$ 3.00	\$ 3.28
Diluted	\$ 2.86	\$ 2.96	\$ 3.25
Weighted average number of shares:			
Basic	937	1,013	1,073
Diluted	945	1,026	1,084

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

Fiscal Year	2019	2018	2017
Net income	\$ 2,706	\$ 3,038	\$ 3,519
Other comprehensive income (loss), net of tax:			
Change in unrealized gain (loss) on available-for-sale investments	21	(51)	23
Change in unrealized net loss on derivative instruments	(7)	4	7
Change in defined and postretirement benefit plans	(51)	(17)	21
Change in cumulative translation adjustments	(1)	—	—
Other comprehensive income (loss), net of tax	(38)	(64)	51
Comprehensive income	<u>\$ 2,668</u>	<u>\$ 2,974</u>	<u>\$ 3,570</u>

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APPLIED MATERIALS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	October 27, 2019	October 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,129	\$ 3,440
Short-term investments	489	590
Accounts receivable, net	2,533	2,323
Inventories	3,474	3,721
Other current assets	581	530
Total current assets	10,206	10,604
Long-term investments	1,703	1,568
Property, plant and equipment, net	1,529	1,407
Goodwill	3,399	3,368
Purchased technology and other intangible assets, net	156	213
Deferred income taxes and other assets	2,031	473
Total assets	<u>\$ 19,024</u>	<u>\$ 17,633</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 600	\$ —
Accounts payable and accrued expenses	2,511	2,721
Contract liabilities	1,336	1,201
Total current liabilities	4,447	3,922
Long-term debt	4,713	5,309
Income taxes payable	1,275	1,254
Other liabilities	375	303
Total liabilities	10,810	10,788
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: \$0.01 par value per share; 1 shares authorized; no shares issued	—	—
Common stock: \$0.01 par value per share; 2,500 shares authorized; 916 and 967 shares outstanding at 2019 and 2018, respectively	9	10
Additional paid-in capital	7,595	7,274
Retained earnings	24,386	20,880
Treasury stock: 1,079 and 1,019 shares at 2019 and 2018, respectively	(23,596)	(21,194)
Accumulated other comprehensive loss	(180)	(125)
Total stockholders' equity	8,214	6,845
Total liabilities and stockholders' equity	<u>\$ 19,024</u>	<u>\$ 17,633</u>

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APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Fiscal Year	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 2,706	\$ 3,038	\$ 3,519
Adjustments required to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	363	457	407
Deferred income taxes	49	71	(12)
Other	(19)	4	(9)
Share-based compensation	263	258	220
Changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable	(207)	16	(37)
Inventories	248	(1,014)	(809)
Other current and non-current assets	(86)	(199)	(156)
Accounts payable and accrued expenses	(247)	170	371
Contract liabilities	135	75	133
Income taxes payable	44	886	121
Other liabilities	(2)	25	41
Cash provided by operating activities	<u>3,247</u>	<u>3,787</u>	<u>3,789</u>
Cash flows from investing activities:			
Capital expenditures	(441)	(622)	(345)
Cash paid for acquisitions, net of cash acquired	(28)	(6)	(68)
Proceeds from sales and maturities of investments	1,940	3,276	2,743
Purchases of investments	(1,914)	(2,077)	(4,856)
Cash provided by (used in) investing activities	<u>(443)</u>	<u>571</u>	<u>(2,526)</u>
Cash flows from financing activities:			
Debt borrowings, net of issuance costs	—	—	2,176
Debt repayments	—	—	(205)
Proceeds from common stock issuances	145	124	97
Common stock repurchases	(2,403)	(5,283)	(1,172)
Tax withholding payments for vested equity awards	(86)	(164)	(125)
Payments of dividends to stockholders	(771)	(605)	(430)
Cash provided by (used in) financing activities	<u>(3,115)</u>	<u>(5,928)</u>	<u>341</u>
Increase (decrease) in cash and cash equivalents	(311)	(1,570)	1,604
Cash and cash equivalents — beginning of year	3,440	5,010	3,406
Cash and cash equivalents — end of year	<u>\$ 3,129</u>	<u>\$ 3,440</u>	<u>\$ 5,010</u>
Supplemental cash flow information:			
Cash payments for income taxes	\$ 522	\$ 300	\$ 194
Cash refunds from income taxes	\$ 22	\$ 63	\$ 61
Cash payments for interest	\$ 219	\$ 219	\$ 186

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