

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

Fiscal Year	2015	2014	2013
Net sales	\$ 9,659	\$ 9,072	\$ 7,509
Cost of products sold	5,707	5,229	4,518
Gross profit.	<u>3,952</u>	<u>3,843</u>	<u>2,991</u>
Operating expenses:			
Research, development and engineering	1,451	1,428	1,320
Marketing and selling	428	423	433
General and administrative	455	497	458
Loss (gain) on derivatives associated with terminated business combination.	(89)	(30)	7
Impairment of goodwill and intangible assets	—	—	278
Restructuring charges and asset impairments	14	5	63
Total operating expenses	<u>2,259</u>	<u>2,323</u>	<u>2,559</u>
Income from operations	<u>1,693</u>	<u>1,520</u>	<u>432</u>
Interest expense	103	95	95
Interest and other income, net	8	23	13
Income before income taxes.	<u>1,598</u>	<u>1,448</u>	<u>350</u>
Provision for income taxes.	221	376	94
Net income	<u>\$ 1,377</u>	<u>\$ 1,072</u>	<u>\$ 256</u>
Earnings per share:.			
Basic	\$ 1.13	\$ 0.88	\$ 0.21
Diluted.	\$ 1.12	\$ 0.87	\$ 0.21
Weighted average number of shares:			
Basic	1,214	1,215	1,202
Diluted.	1,226	1,231	1,219

See accompanying Notes to Consolidated Financial Statements.

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

Fiscal Year	2015	2014	2013
Net income.	<u>\$ 1,377</u>	<u>\$ 1,072</u>	<u>\$ 256</u>
Other comprehensive income (loss), net of tax:			
Change in unrealized net gain on investments	(10)	(1)	9
Change in unrealized net loss on derivative instruments	(15)	(2)	1
Change in defined and postretirement benefit plans.	—	(33)	18
Change in cumulative translation adjustments	9	(2)	(5)
Other comprehensive income (loss), net of tax.	<u>(16)</u>	<u>(38)</u>	<u>23</u>
Comprehensive income	<u><u>\$ 1,361</u></u>	<u><u>\$ 1,034</u></u>	<u><u>\$ 279</u></u>

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

	October 25, 2015	October 26, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,797	\$ 3,002
Short-term investments	168	160
Accounts receivable, net	1,739	1,670
Inventories	1,833	1,567
Other current assets	724	568
Total current assets	9,261	6,967
Long-term investments	946	935
Property, plant and equipment, net	892	861
Goodwill	3,302	3,304
Purchased technology and other intangible assets, net	762	951
Deferred income taxes and other assets	145	156
Total assets	<u>\$ 15,308</u>	<u>\$ 13,174</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 1,200	\$ —
Accounts payable and accrued expenses	1,833	1,883
Customer deposits and deferred revenue	765	940
Total current liabilities	3,798	2,823
Long-term debt	3,342	1,947
Other liabilities	555	536
Total liabilities	7,695	5,306
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: \$.01 par value per share; 1 shares authorized; no shares issued	—	—
Common stock: \$.01 par value per share; 2,500 shares authorized; 1,160 and 1,221 shares outstanding at 2015 and 2014, respectively	11	12
Additional paid-in capital	6,575	6,384
Retained earnings	13,967	13,072
Treasury stock: 793 and 717 shares at 2015 and 2014, respectively	(12,848)	(11,524)
Accumulated other comprehensive loss	(92)	(76)
Total stockholders' equity	7,613	7,868
Total liabilities and stockholders' equity	<u>\$ 15,308</u>	<u>\$ 13,174</u>

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

Fiscal Year	2015	2014	2013
Cash flows from operating activities:			
Net income	\$ 1,377	\$ 1,072	\$ 256
Adjustments required to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	371	375	410
Impairment of goodwill and intangible assets	—	—	278
Restructuring charges and asset impairments	14	5	63
Excess tax benefits from share-based compensation	(56)	(30)	(23)
Deferred income taxes	(134)	58	(102)
Other	39	8	34
Share-based compensation	187	177	162
Changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable	(61)	(21)	(404)
Inventories	(266)	(154)	(141)
Other current and non-current assets	26	26	(63)
Accounts payable and accrued expenses	(133)	79	21
Customer deposits and deferred revenue	(175)	146	39
Income taxes payable	(24)	142	57
Other liabilities	(2)	(83)	36
Cash provided by operating activities	<u>1,163</u>	<u>1,800</u>	<u>623</u>
Cash flows from investing activities:			
Capital expenditures	(215)	(241)	(197)
Cash paid for acquisitions, net of cash acquired	(4)	(12)	(1)
Proceeds from sale of facilities	—	25	7
Proceeds from sales and maturities of investments	1,100	878	1,013
Purchases of investments	(1,162)	(811)	(607)
Cash provided by (used in) investing activities	<u>(281)</u>	<u>(161)</u>	<u>215</u>
Cash flows from financing activities:			
Debt borrowings, net of issuance costs	2,581	—	—
Proceeds from common stock issuances and others, net	88	107	159
Common stock repurchases	(1,325)	—	(245)
Payments of dividends to stockholders	(487)	(485)	(456)
Excess tax benefits from share-based compensation	56	30	23
Cash provided by (used in) financing activities	<u>913</u>	<u>(348)</u>	<u>(519)</u>
Increase in cash and cash equivalents	1,795	1,291	319
Cash and cash equivalents — beginning of year	3,002	1,711	1,392
Cash and cash equivalents — end of year	<u>\$ 4,797</u>	<u>\$ 3,002</u>	<u>\$ 1,711</u>
Supplemental cash flow information:			
Cash payments for income taxes	\$ 407	\$ 195	\$ 196
Cash refunds from income taxes	\$ 12	\$ 111	\$ 102
Cash payments for interest	\$ 92	\$ 92	\$ 92

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