

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

Fiscal Year	2017	2016	2015
Net sales	\$ 14,537	\$ 10,825	\$ 9,659
Cost of products sold	8,005	6,314	5,707
Gross profit.	6,532	4,511	3,952
Operating expenses:			
Research, development and engineering	1,774	1,540	1,451
Marketing and selling	456	429	428
General and administrative	434	390	469
Gain on derivatives associated with terminated business combination	—	—	(89)
Total operating expenses	2,664	2,359	2,259
Income from operations	3,868	2,152	1,693
Interest expense	198	155	103
Interest and other income, net	61	16	8
Income before income taxes.	3,731	2,013	1,598
Provision for income taxes.	297	292	221
Net income	\$ 3,434	\$ 1,721	\$ 1,377
Earnings per share:.			
Basic	\$ 3.20	\$ 1.56	\$ 1.13
Diluted.	\$ 3.17	\$ 1.54	\$ 1.12
Weighted average number of shares:			
Basic	1,073	1,107	1,214
Diluted.	1,084	1,116	1,226

See accompanying Notes to Consolidated Financial Statements.

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

Fiscal Year	2017	2016	2015
Net income.	\$ 3,434	\$ 1,721	\$ 1,377
Other comprehensive income (loss), net of tax:			
Change in unrealized net gain on investments	23	16	(10)
Change in unrealized net loss on derivative instruments	7	(3)	(15)
Change in defined and postretirement benefit plans.	21	(36)	—
Change in cumulative translation adjustments	—	—	9
Other comprehensive income (loss), net of tax	51	(23)	(16)
Comprehensive income	\$ 3,485	\$ 1,698	\$ 1,361

See accompanying Notes to Consolidated Financial Statements.

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

	October 29, 2017	October 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,010	\$ 3,406
Short-term investments	2,266	343
Accounts receivable, net	2,338	2,279
Inventories	2,930	2,050
Other current assets	374	275
Total current assets	12,918	8,353
Long-term investments	1,143	929
Property, plant and equipment, net	1,066	937
Goodwill	3,368	3,316
Purchased technology and other intangible assets, net	412	575
Deferred income taxes and other assets	512	460
Total assets	<u>\$ 19,419</u>	<u>\$ 14,570</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, notes payable and accrued expenses	\$ 2,450	\$ 2,256
Customer deposits and deferred revenue	1,665	1,376
Total current liabilities	4,115	3,632
Long-term debt	5,304	3,125
Other liabilities	651	596
Total liabilities	10,070	7,353
Commitments and contingencies (Note 14)		
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; 1,060 and 1,078 shares outstanding at 2017 and 2016, respectively	11	11
Additional paid-in capital	7,056	6,809
Retained earnings	18,258	15,252
Treasury stock: 917 and 889 shares at 2017 and 2016, respectively	(15,912)	(14,740)
Accumulated other comprehensive loss	(64)	(115)
Total stockholders' equity	9,349	7,217
Total liabilities and stockholders' equity	<u>\$ 19,419</u>	<u>\$ 14,570</u>

See accompanying Notes to Consolidated Financial Statements.

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

Fiscal Year	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 3,434	\$ 1,721	\$ 1,377
Adjustments required to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	407	389	371
Excess tax benefits from share-based compensation	(55)	(23)	(56)
Deferred income taxes	(11)	21	(134)
Other	(9)	38	53
Share-based compensation	220	201	187
Changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable	(37)	(542)	(61)
Inventories	(879)	(216)	(266)
Other current and non-current assets	(157)	30	26
Accounts payable and accrued expenses	245	107	(133)
Customer deposits and deferred revenue	289	611	(175)
Income taxes payable	121	173	(24)
Other liabilities	41	(44)	(2)
Cash provided by operating activities	<u>3,609</u>	<u>2,466</u>	<u>1,163</u>
Cash flows from investing activities:			
Capital expenditures	(345)	(253)	(215)
Cash paid for acquisitions, net of cash acquired	(68)	(16)	(4)
Proceeds from sales and maturities of investments	2,743	1,234	1,100
Purchases of investments	(4,856)	(1,390)	(1,162)
Cash used in investing activities	<u>(2,526)</u>	<u>(425)</u>	<u>(281)</u>
Cash flows from financing activities:			
Debt borrowings, net of issuance costs	2,176	—	2,581
Debt repayments	(205)	(1,207)	—
Proceeds from common stock issuances	97	88	88
Common stock repurchases	(1,172)	(1,892)	(1,325)
Payments of dividends to stockholders	(430)	(444)	(487)
Excess tax benefits from share-based compensation	55	23	56
Cash provided by (used in) financing activities	<u>521</u>	<u>(3,432)</u>	<u>913</u>
Increase (decrease) in cash and cash equivalents	1,604	(1,391)	1,795
Cash and cash equivalents — beginning of year	3,406	4,797	3,002
Cash and cash equivalents — end of year	<u>\$ 5,010</u>	<u>\$ 3,406</u>	<u>\$ 4,797</u>
Supplemental cash flow information:			
Cash payments for income taxes	\$ 194	\$ 157	\$ 407
Cash refunds from income taxes	\$ 61	\$ 113	\$ 12
Cash payments for interest	\$ 186	\$ 151	\$ 92

See accompanying Notes to Consolidated Financial Statements.