



First Quarter Fiscal 2026 Earnings Presentation

FEBRUARY 12, 2026

Applied Materials External



Forward-Looking Statements

This presentation contains forward-looking statements, including those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, technology transitions, our business and financial performance and market share positions, our capital allocation and cash deployment strategies, our investment and growth strategies, our development of new products and technologies, legal matters, claims and proceedings, our business outlook for the second quarter of fiscal 2026 and beyond, and other statements that are not historical facts. These statements and their underlying assumptions are subject to risks and uncertainties and are not guarantees of future performance.

Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products; global economic, political and industry conditions, including changes in interest rates and prices for goods and services; the implementation of additional export regulations and license requirements and their interpretation, and their impact on our ability to export products and provide services to customers and on our results of operations; global trade issues and changes in trade and export license policies and our ability to obtain licenses or authorizations on a timely basis, if at all; imposition of new or increases in tariffs and any retaliatory measures, including their impact on demand for our products and services; our ability to effectively mitigate the impact of tariffs; the effects of geopolitical turmoil or conflicts; demand for semiconductor chips and electronic devices; customers' technology and capacity requirements; the introduction of new and innovative technologies, and the timing of technology transitions; our ability to develop, deliver and support new products and technologies; our ability to meet customer demand, and our suppliers' ability to meet our demand requirements; the concentrated nature of our customer base; our ability to expand our current markets, increase market share and develop new markets; market acceptance of existing and newly developed products; our ability to obtain and protect intellectual property rights in key technologies; cybersecurity incidents affecting our information systems or information contained in them, or affecting our operations, suppliers, customers or vendors; our ability to achieve the objectives of operational and strategic initiatives, align our resources and cost structure with business conditions, and attract, motivate and retain key employees; the effects of regional or global health epidemics; acquisitions, investments and divestitures; changes in income tax laws; the variability of operating expenses and results among products and segments, and our ability to accurately forecast future results, market conditions, customer requirements and business needs; our ability to ensure compliance with applicable law, rules and regulations; and other risks and uncertainties described in our filings with the Securities and Exchange Commission, including our most recent Forms 10-K, 10-Q and 8-K. All forward-looking statements are based on management's current estimates, projections and assumptions, and we assume no obligation to update them.

Calendar Announcements

FEBRUARY 24

New Product Briefings at SPIE
Lithography and Patterning Conference
San Jose, CA

APRIL 8 | 9AM PT

Transistors and Wiring Master Class
Webcast

OCTOBER 12

Investor Open House at the New
EPIC Center Silicon Valley
Sunnyvale, CA

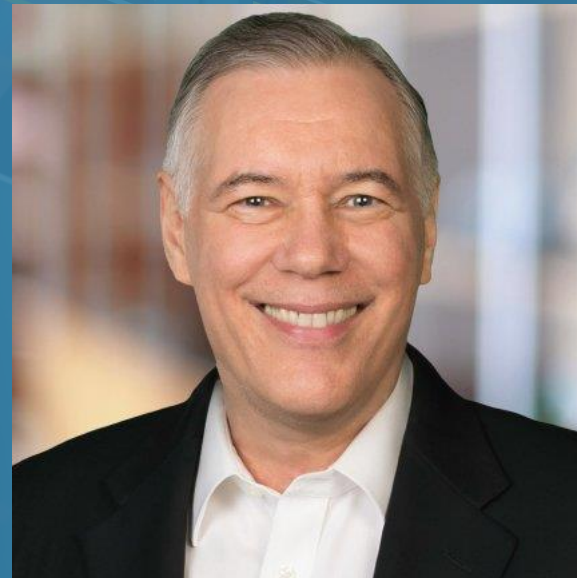
OCTOBER 13

Investor Breakfast
San Francisco, CA | Webcast



Gary Dickerson

President and Chief Executive Officer



CEO PERSPECTIVE

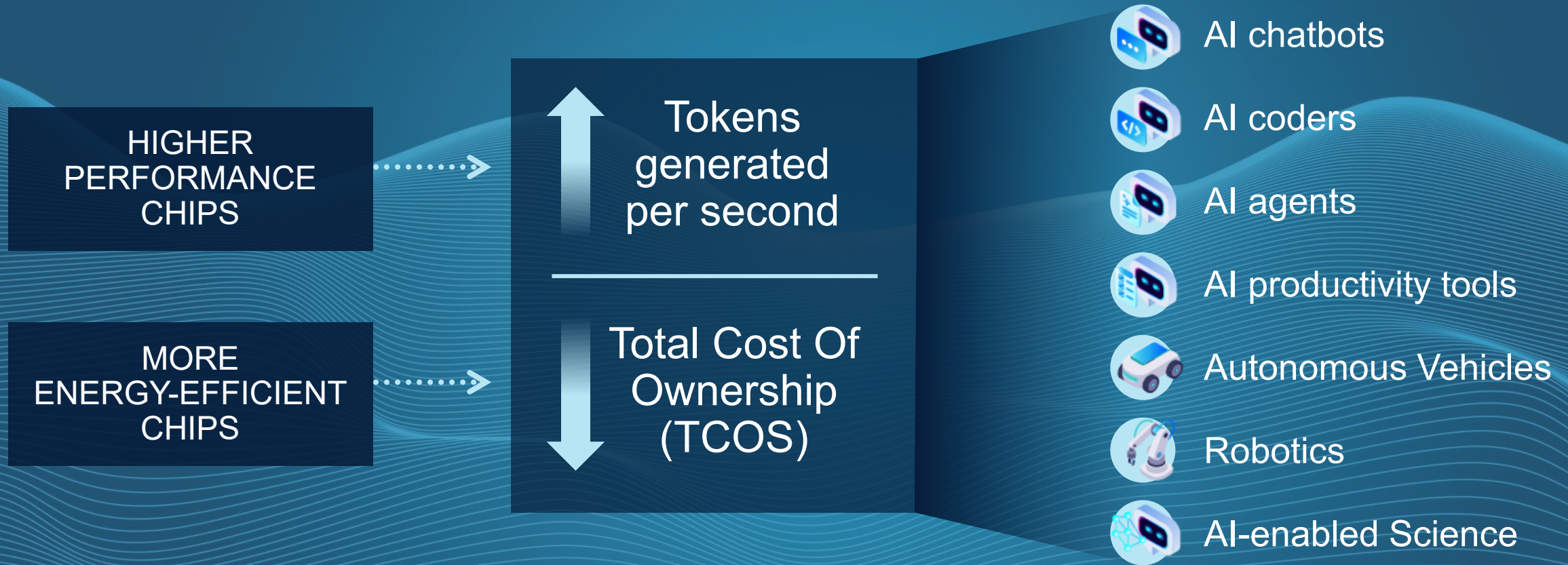
- FQ1 revenue and earnings above mid-point of guided range
- Strong performance and outlook fueled by:
 - » Acceleration of investments in energy-efficient AI computing
 - » High-value innovations that extend leadership in fastest growing semiconductor equipment market segments
- In AI, improvements in performance and cost create real-world applications that deliver productivity gains and ROI
- Race to build out AI infrastructure driving unprecedented spending on semiconductors, manufacturing capacity, R&D
- Leading-edge foundry/logic, high bandwidth memory DRAM, and advanced packaging are the most critical and fastest growing semiconductor markets – Applied has leadership positions

Accelerated AI Adoption and Market Growth

- Global semiconductor revenues could reach \$1T in 2026
- Applied's semiconductor equipment business expected to grow >20% in calendar year 2026
 - » Demand profile weighted towards second half of calendar year
 - » Cleanroom space a key factor pacing rate of investment
- Largest customers providing increased longer-term visibility
- Expect momentum to be carried into 2027



AI is enabling real world applications with productivity gains and ROI for users



2026 WFE Market Outlook

FASTEST GROWING AREAS OF THE MARKET

	INFLECTIONS	2026 WFE MARKET DRIVERS
Leading-Edge Foundry/Logic	Gate-all-around transistors Backside power delivery	FinFET capacity additions GAA nodes ramping
DRAM	4F ² 3D DRAM	6F ² capacity additions, incl HBM R&D on next gen inflections
Advanced Packaging	High-bandwidth memory (HBM) Hybrid bonding Panel substrates	HBM packaging 3D chiplet-stacking

APPLIED MATERIALS

#1

Process
Equipment
Company in All
Three Markets

OTHER AREAS

NAND	Increased layers, technology transitions	Modest growth Expect to remain <10% of WFE
ICAPS*	Compound semi (SiC, GaN) Photonics	~Flat, globally and in China

*ICAPS = IoT, Communications, Auto, Power, Sensors

A diagram illustrating the 'Inflection-Focused Innovation' strategy. On the left, a large blue circle with a yellow border contains the text 'INFLECTION-FOCUSED INNOVATION'. Three dotted arrows point from the right side of this circle to three separate white rectangular boxes on the right. Each box contains a strategic point. The first box says 'Engage with customers and partners to see technology inflections early'. The second box says 'Focus R&D on the most critical and valuable challenges using high-velocity co-innovation'. The third box says 'Create increasingly valuable solutions by connecting our broad portfolio'.

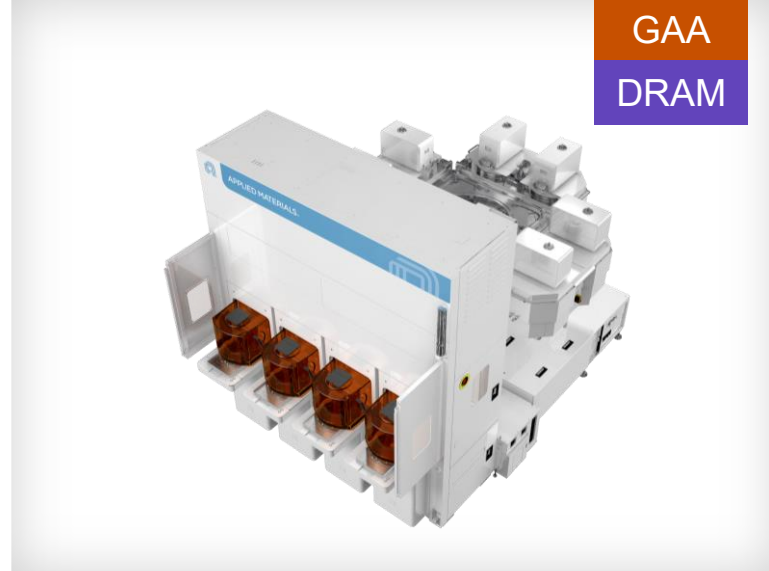
INFLECTION- FOCUSED INNOVATION

Engage with customers and partners to
see technology inflections early

Focus R&D on the most critical and valuable
challenges using **high-velocity co-innovation**

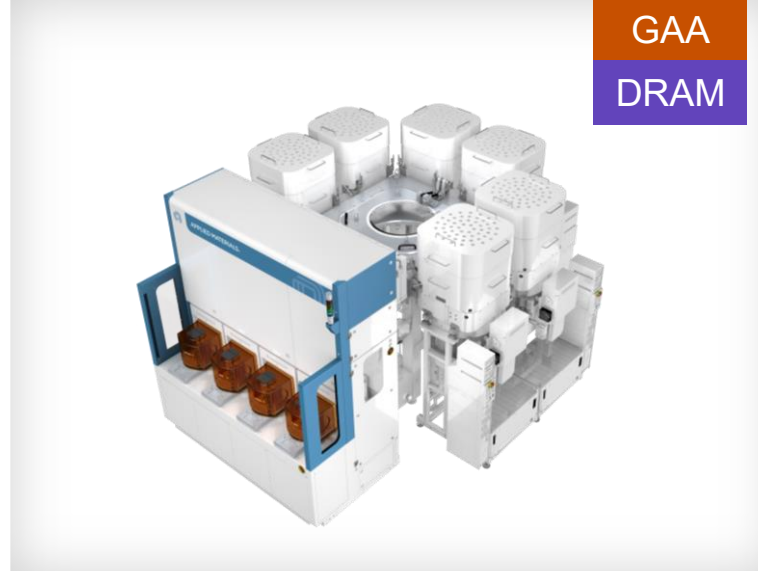
Create increasingly valuable solutions by
connecting our broad portfolio

Innovative Pipeline of Next-Generation Products: Q2 Launches



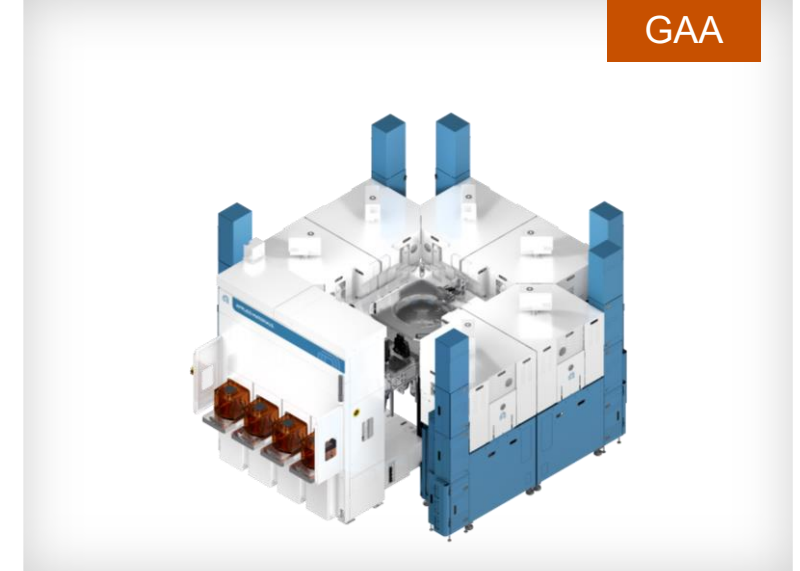
Viva™ Radical Treatment

Pure radical treatment smoothens GAA silicon nanosheets with atomic-level precision to increase transistor performance



Sym3™ Z Magnum™ Etch

Conductor etch system delivers angstrom-level 3D trench profile control to increase silicon nanosheet uniformity and performance



Spectral™ Molybdenum ALD

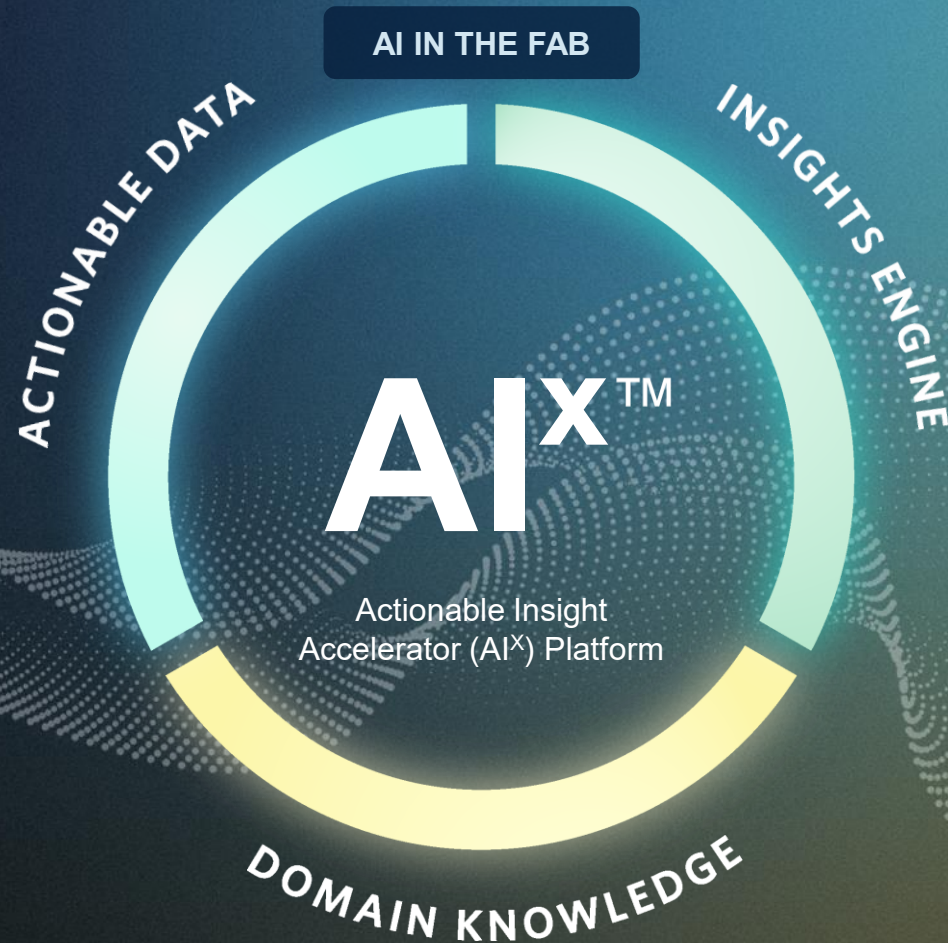
ALD system replaces tungsten transistor contacts with moly, a new contact metal that lowers electrical resistance at the critical link between transistors and copper wiring network

ANNOUNCED
**Samsung
Electronics**
joins EPIC Center

Co-development
programs to accelerate
commercialization
of next-generation
semiconductor
technologies



Service Innovation – Accelerating Time to Market



ACCELERATE

Results

R&D

Time to qualify
Process window

Ramp

Time to match
Yield optimization

HVM

Yield
Output
Cost of ownership

- **>30,000 chambers** connected to AI^x servers using AI-powered monitoring, diagnostics and analytics
- **30% faster** response times enables increased wafer output for customers

Expect Annualized Double-digit Growth Rate for AGS

CEO SUMMARY

- Semiconductors are the heart of the AI technology stack
- Semiconductor industry revenues potentially reach \$1T in 2026
- Inflection-focused innovation strategy is extending Applied's leadership in leading-edge foundry/logic, memory, and advanced packaging
- Applied's semiconductor equipment business expected to grow >20% in calendar year 2026
- Driving deeper co-innovation engagements with customers to enable energy-efficient AI
- EPIC Center expected to come online later this year, bringing together key innovators to increase value creation velocity

Brice Hill

SVP, Chief Financial Officer



DEMAND Environment

- Business is strengthening, positive demand indications throughout the ecosystem
 - » Higher levels of planned capex from cloud service providers
 - » Semiconductor factory utilization rising across all device types
 - » Leading-edge foundry/logic and DRAM capacity essentially full, and prices have increased
- Customers are providing longer visibility
 - » Increasing the number of new factory projects and fab expansions scheduled to be completed over the next several years

Preparing for Growth

- Prioritizing capacity availability for our customers
- Over the last several years Applied nearly doubled our system manufacturing capacity and strengthened supply chain operations
- Giving our direct suppliers longer visibility into our requirements, allowing them to proliferate the demand signal through supply chain
- Proactively increased our inventory to meet the increasing build plans
- Well positioned to meet the increasing demand we are seeing from our customers



FQ1'26 Non-GAAP Financial Results

\$M, except EPS	FQ1'25	FQ4'25	FQ1'26	YoY	QoQ
Revenue	7,166	6,800	7,012	-2%	3%
Gross Margin*	48.9%	48.1%	49.1%	20bps	100bps
Operating Expenses*	1,313	1,325	1,335	2%	1%
Operating Income*	2,190	1,947	2,107	-4%	8%
Operating Margin*	30.6%	28.6%	30.0%	-60bps	140bps
EPS*	\$2.38	\$2.17	\$2.38	0%	10%

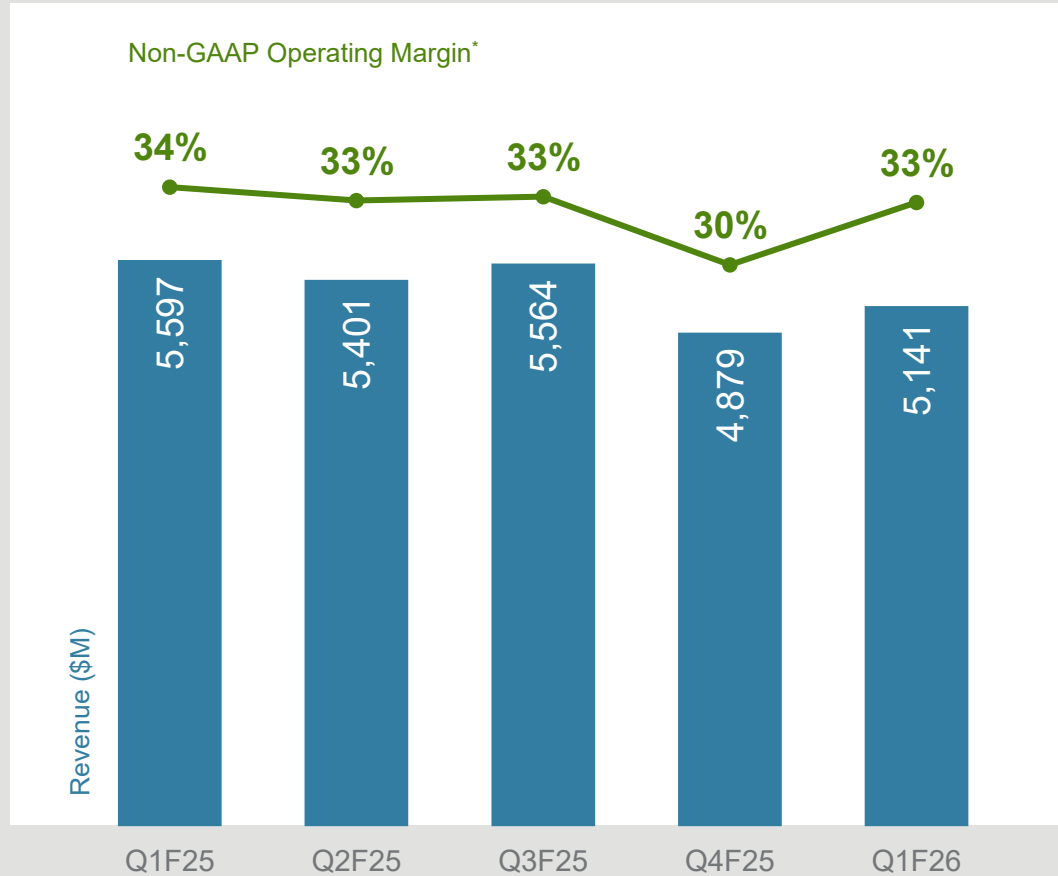
Year-over-year highlights:

- Revenue in the upper end of guidance range
- China represented 27% of combined semi systems and AGS revenue, and 30% of overall revenue
- Gross margin: progressing on value-based pricing and manufacturing cost improvements
- Opex growth driven by increased R&D investments

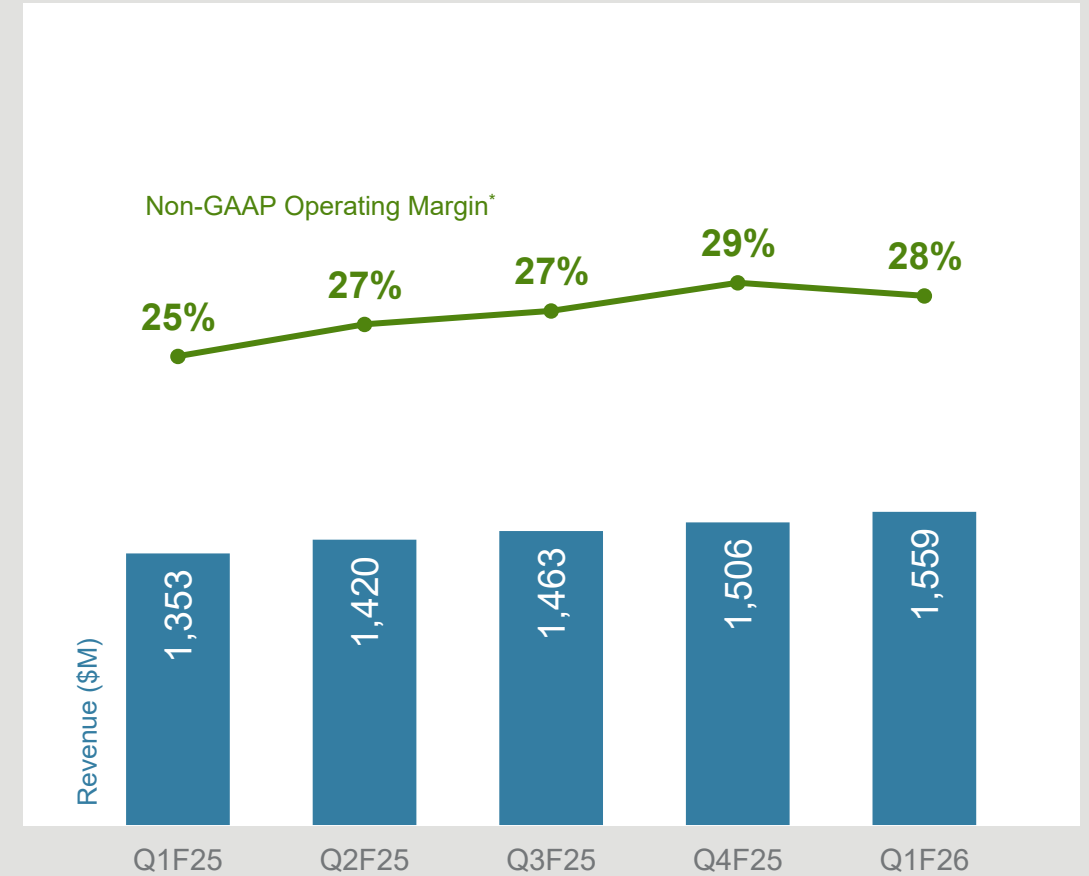
* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

FQ1'26 Segment Results

SEMICONDUCTOR SYSTEMS



APPLIED GLOBAL SERVICES



* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

Effective in the first quarter of fiscal 2026, management moved our 200-millimeter equipment business to Semiconductor Systems. The business was previously included in Applied Global Services. Additionally, effective in the first quarter of fiscal 2026, management began fully allocating corporate support costs to our operating segments. Prior-period numbers have been recast to conform to the current-year presentation. Display operating segment financial results are included in the Corporate and Other (previously reported) and the Other (recast) balances above

Cash Flows and Shareholder Distributions

CASH FLOWS (\$M)	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
Operating Cash Flow	925	1,571	2,634	2,828	1,686
Free Cash Flow*	544	1,061	2,050	2,043	1,040
SHAREHOLDER DISTRIBUTIONS (\$M)					
Total Shareholder Distributions	(1,644)	(1,995)	(1,424)	(1,216)	(702)
Share Repurchases	(1,318)	(1,670)	(1,056)	(851)	(337)
Dividends	(326)	(325)	(368)	(365)	(365)

Committed to distribute 80–100% of FCF to shareholders over time

\$13.6B remaining on share repurchase authorization at end of FQ1'26

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com

Business Outlook

Second QUARTER FISCAL 2026

OUTLOOK*	Total Revenue	~\$7.650B ± \$500M
	Non-GAAP EPS*	~\$2.64 ± \$0.20
REVENUE	Semiconductor Systems (includes 200mm equipment)	~\$5.800B
	Applied Global Services (excludes 200mm equipment)	~\$1.600B
	Other	~\$250M
OTHER	Non-GAAP Gross Margin*	~49.3%
	Non-GAAP Operating Expenses*	~\$1.415B
	Non-GAAP Tax Rate*	~11%

* For reconciliation of GAAP to non-GAAP results, see appendix of this presentation and non-GAAP reconciliation on the investor relations website at ir.appliedmaterials.com. 200mm equipment business is in Semiconductor Systems effective FQ1'26. Previously, 200mm equipment business was in Applied Global Services

CFO SUMMARY

- Investments made over the past several years have put Applied in a terrific position for profitable growth
- Global AI infrastructure expansion is translating to accelerating demand for Applied's most enabling products in leading-edge foundry/logic, DRAM and advanced packaging – along with advanced services
- Focused on increasing the energy efficient performance of logic chips, compute memory, and systems – we are sharing in the value we create
- Applied is the materials engineering leader in the fastest growing segments of the semiconductor market
- Driving our operations teams and supply chain partners to increase capacity and output as our customers ramp in 2026 and 2027

Q&A

Segment Financial Table

RECAST						PREVIOUSLY REPORTED					
<i>In Millions, Except Percentages</i>	FY24	Q1F25	Q2F25	Q3F25	Q4F25	<i>In Millions, Except Percentages</i>	FY24	Q1F25	Q2F25	Q3F25	Q4F25
SEMICONDUCTOR SYSTEMS						SEMICONDUCTOR SYSTEMS					
Revenue	\$ 21,014	\$ 5,597	\$ 5,401	\$ 5,564	\$ 4,879	Revenue	\$ 19,911	\$ 5,356	\$ 5,255	\$ 5,427	\$ 4,760
Foundry, logic and other	70%	69%	66%	69%	66%	Foundry, logic and other	68%	68%	65%	69%	65%
DRAM	26%	27%	27%	22%	28%	DRAM	28%	28%	27%	22%	29%
Flash memory	4%	4%	7%	9%	6%	Flash memory	4%	4%	8%	9%	6%
Operating income	\$ 6,674	\$ 1,872	\$ 1,770	\$ 1,837	\$ 1,430	Operating income	\$ 6,981	\$ 1,986	\$ 1,900	\$ 1,966	\$ 1,527
Operating margin	31.8%	33.4%	32.8%	33.0%	29.3%	Operating margin	35.1%	37.1%	36.2%	36.2%	32.1%
Non-GAAP results						Non-GAAP results					
Non-GAAP operating income	\$ 6,723	\$ 1,886	\$ 1,781	\$ 1,849	\$ 1,442	Non-GAAP operating income	\$ 7,021	\$ 1,998	\$ 1,911	\$ 1,977	\$ 1,538
Non-GAAP operating margin	32.0%	33.7%	33.0%	33.2%	29.6%	Non-GAAP operating margin	35.3%	37.3%	36.4%	36.4%	32.3%
APPLIED GLOBAL SERVICES						APPLIED GLOBAL SERVICES					
Revenue	\$ 5,122	\$ 1,353	\$ 1,420	\$ 1,463	\$ 1,506	Revenue	\$ 6,225	\$ 1,594	\$ 1,566	\$ 1,600	\$ 1,625
Operating income	\$ 1,328	\$ 336	\$ 378	\$ 400	\$ 433	Operating income	\$ 1,812	\$ 447	\$ 446	\$ 445	\$ 454
Operating margin	25.9%	24.8%	26.6%	27.3%	28.8%	Operating margin	29.1%	28.0%	28.5%	27.8%	27.9%
Non-GAAP results						Non-GAAP results					
Non-GAAP operating income	\$ 1,330	\$ 337	\$ 378	\$ 400	\$ 434	Non-GAAP operating income	\$ 1,812	\$ 447	\$ 446	\$ 445	\$ 454
Non-GAAP operating margin	26.0%	24.9%	26.6%	27.3%	28.8%	Non-GAAP operating margin	29.1%	28.0%	28.5%	27.8%	27.9%
OTHER						CORPORATE AND OTHER					
Revenue	\$ 1,040	\$ 216	\$ 279	\$ 275	\$ 415	Revenue	\$ 1,040	\$ 216	\$ 279	\$ 275	\$ 415
Operating income (loss)	\$ (135)	\$ (33)	\$ 21	\$ (4)	\$ (151)	Operating income (loss)	\$ (926)	\$ (258)	\$ (177)	\$ (178)	\$ (269)

For a reconciliation of GAAP to non-GAAP results, see the appendix of this presentation and the non-GAAP reconciliation on the investor relations page at www.appliedmaterials.com.

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Capital Allocation Strategy

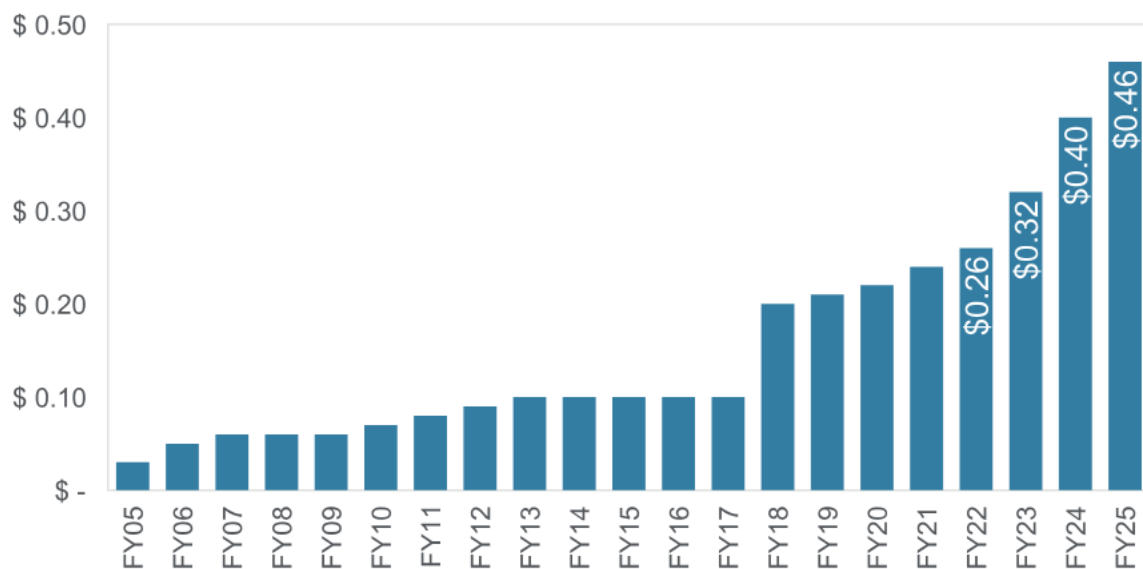
1. Invest in R&D and infrastructure to enable profitable growth

2. Grow dividend per share and use buybacks to distribute excess FCF

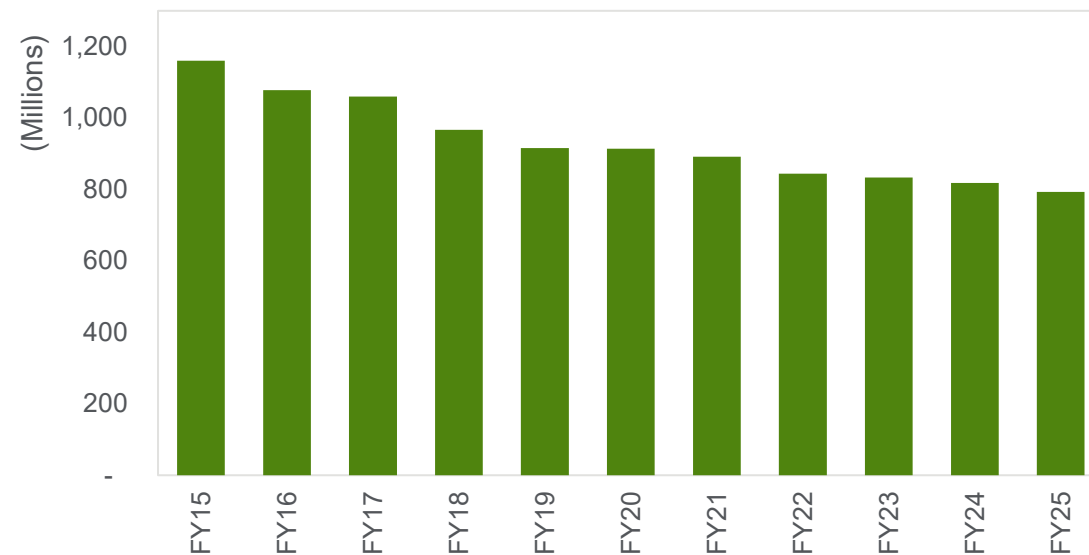
OVER PAST 10 FISCAL YEARS (through FY25)

- » Reinvested nearly \$25B in R&D and >\$8B in capital additions
- » Distributed nearly 90% of FCF*
- » Grew dividend per share at 16% CAGR
- » Reduced shares outstanding by ~32%

Quarterly Dividend per Share



Shares Outstanding at FY End



Committed to distribute 80–100% of FCF to shareholders over time

\$13.6B remaining on share repurchase authorization at end of FQ1'26

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Strong Investment-Grade Balance Sheet

CASH AND INVESTMENTS (\$M)	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
Cash and Cash Equivalents	6,264	6,169	5,384	7,241	7,218
Short-Term Investments	1,949	578	1,630	1,332	1,293
Long-Term Investments	2,686	3,638	4,133	4,327	4,968
Total Cash and Investments	10,899	10,385	11,147	12,900	13,479
DEBT (\$M)					
Short-Term Debt*	799	799	799	100	100
Current ratings (Moody's / S&P): P-1 / A-1					
Long-Term Debt	5,461	5,462	5,463	6,455	6,453
Current ratings (Moody's / S&P): A2 / A					
Total Debt	6,260	6,261	6,262	6,555	6,553

* Includes commercial paper and current portion of long-term debt



NET ZERO 2040 PLAYBOOK™

Link: [2024 Impact Report](#)

LATEST 3rd PARTY ESG RATINGS

CDP Climate	B
CDP Water	A-
MSCI	AAA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	2/2/1

Additional Resources

Investor Relations Home Page

[LINK](#)

Newsroom

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2025 SEMICON West Technology Breakfast

[LINK](#)

2025: Applied Materials Panel Discussion during SPIE Conference

[LINK](#)

2024: SEMICON West Technology Breakfast

[LINK](#)

2024: 2023 WFE Market Summary

[LINK](#)

2024: Applied Materials Panel Discussion during SPIE Conference

[LINK](#)

Appendix

GAAP to Non-GAAP Reconciliations

Use of Non-GAAP Adjusted Financial Measures

Applied provides investors with certain non-GAAP financial measures, which are adjusted for the impact of certain costs, expenses, gains and losses, including, as applicable, certain items related to mergers and acquisitions; restructuring and severance charges and any associated adjustments; legal settlement charges; impairments of assets; gain or loss, dividends and impairments on strategic investments; certain income tax items; and other discrete adjustments. On a non-GAAP basis, the tax effect related to share-based compensation is recognized ratably over the fiscal year. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided in the appendix to this presentation and on Applied's website, ir.appliedmaterials.com.

Management uses these non-GAAP financial measures to evaluate the company's operating and financial performance and for planning purposes, and as performance measures in its executive compensation program. Applied believes these measures enhance an overall understanding of its performance and investors' ability to review the company's business from the same perspective as the company's management, and facilitate comparisons of this period's results with prior periods on a consistent basis by excluding items that management does not believe are indicative of Applied's ongoing operating performance. There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles, may be different from non-GAAP financial measures used by other companies, and may exclude certain items that may have a material impact upon our reported financial results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Non-GAAP Gross Profit

	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
GAAP reported gross profit	\$ 3,496	\$ 3,485	\$ 3,562	\$ 3,265	\$ 3,435
Certain items associated with acquisitions ¹	7	6	7	7	7
Non-GAAP gross profit	<u>\$ 3,503</u>	<u>\$ 3,491</u>	<u>\$ 3,569</u>	<u>\$ 3,272</u>	<u>\$ 3,442</u>
Non-GAAP gross margin	48.9 %	49.2 %	48.9 %	48.1 %	49.1 %

Non-GAAP Operating Income

GAAP reported operating income	\$ 2,175	\$ 2,169	\$ 2,233	\$ 1,712	\$ 1,831
Certain items associated with acquisitions ¹	12	11	11	11	11
Acquisition integration and deal costs	3	—	1	2	—
Impairment of goodwill	—	—	—	41	—
Legal settlement ²	—	—	—	—	253
Restructuring charges ³	—	—	—	181	12
Non-GAAP operating income	<u>\$ 2,190</u>	<u>\$ 2,180</u>	<u>\$ 2,245</u>	<u>\$ 1,947</u>	<u>\$ 2,107</u>
Non-GAAP operating margin	30.6 %	30.7 %	30.7 %	28.6 %	30.0 %

Non-GAAP Net Income

GAAP reported net income	\$ 1,185	\$ 2,137	\$ 1,779	\$ 1,897	\$ 2,026
Certain items associated with acquisitions ¹	12	11	11	11	11
Acquisition integration and deal costs	3	—	1	2	—
Impairment of goodwill	—	—	—	41	—
Legal settlement ²	—	—	—	—	253
Restructuring charges ³	—	—	—	181	12
Realized loss (gain), dividends and impairments on strategic investments, net	(9)	(18)	16	(55)	14
Unrealized loss (gain) on strategic investments, net	106	(80)	(314)	(467)	(484)
Foreign exchange loss (gain) related to purchase of strategic investment	—	23	—	—	—
Loss (gain) on asset sale	—	(44)	—	—	—
Income tax effect of share-based compensation ⁴	(10)	4	7	(1)	(21)
Income tax effect related to intra-entity intangible asset transfers ⁵	674	32	32	39	31
Resolution of prior years' income tax filings and other tax items ⁶	(16)	(124)	460	(7)	40
Income tax effect of non-GAAP adjustments ⁷	1	(1)	(3)	91	17
Non-GAAP net income	<u>\$ 1,946</u>	<u>\$ 1,940</u>	<u>\$ 1,989</u>	<u>\$ 1,732</u>	<u>\$ 1,899</u>

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Charge of \$253 million related to agreed settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.
3. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
4. GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
5. Amount for the first quarter of fiscal 2025 included changes to the income tax provision of \$30 million from amortization of intangibles and a \$644 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.
6. Amount for the third quarter of fiscal 2025 included the impact of the recognition of a \$410 million valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.
7. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS

Non-GAAP Earnings Per Diluted Share

	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
GAAP reported earnings per diluted share	\$ 1.45	\$ 2.63	\$ 2.22	\$ 2.38	\$ 2.54
Certain items associated with acquisitions	0.01	0.01	0.01	0.01	0.01
Impairment of goodwill	—	—	—	0.05	—
Legal settlement	—	—	—	—	0.32
Restructuring charges	—	—	—	0.19	0.02
Realized loss (gain), dividends and impairments on strategic investments, net	(0.01)	(0.02)	0.02	(0.07)	0.01
Unrealized loss (gain) on strategic investments, net	0.13	(0.10)	(0.39)	(0.43)	(0.58)
Foreign exchange loss (gain) related to purchase of strategic investment	—	0.03	—	—	—
Loss (gain) on asset sale	—	(0.05)	—	—	—
Income tax effect of share-based compensation	(0.01)	—	0.01	—	(0.03)
Income tax effects related to intra-entity intangible asset transfers ¹	0.83	0.04	0.04	0.05	0.04
Resolution of prior years' income tax filings and other tax items ²	(0.02)	(0.15)	0.57	(0.01)	0.05
Non-GAAP earnings per diluted share	<u>\$ 2.38</u>	<u>\$ 2.39</u>	<u>\$ 2.48</u>	<u>\$ 2.17</u>	<u>\$ 2.38</u>
Weighted average number of diluted shares	819	812	802	798	799

FOOTNOTES:

1. Amount for the first quarter of fiscal 2025 included changes to the income tax provision of \$0.04 per diluted share from amortization of intangibles and \$0.79 per diluted share from a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.
2. Amount for the third quarter of fiscal 2025 included a \$0.51 per diluted share impact of the recognition of a valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Gross Profit

GAAP reported gross profit

Certain items associated with acquisitions¹

Non-GAAP gross profit

Non-GAAP gross margin

AGS Non-GAAP Gross Profit

GAAP reported gross profit

Non-GAAP gross profit

Non-GAAP gross margin

Semiconductor Systems Non-GAAP Operating Income

GAAP reported operating income

Certain items associated with acquisitions¹

Acquisition integration and deal costs

Legal settlement²

Non-GAAP operating income

Non-GAAP operating margin

AGS Non-GAAP Operating Income

GAAP reported operating income

Acquisition integration and deal costs

Non-GAAP operating income

Non-GAAP operating margin

	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
GAAP reported gross profit	\$ 2,986	\$ 2,889	\$ 2,970	\$ 2,569	\$ 2,794
Certain items associated with acquisitions ¹	7	6	7	7	7
Non-GAAP gross profit	<u>\$ 2,993</u>	<u>\$ 2,895</u>	<u>\$ 2,977</u>	<u>\$ 2,576</u>	<u>\$ 2,801</u>
Non-GAAP gross margin	53.5 %	53.6 %	53.5 %	52.8 %	54.5 %
GAAP reported gross profit	\$ 437	\$ 476	\$ 494	\$ 514	\$ 537
Non-GAAP gross profit	<u>\$ 437</u>	<u>\$ 476</u>	<u>\$ 494</u>	<u>\$ 514</u>	<u>\$ 537</u>
Non-GAAP gross margin	32.3 %	33.5 %	33.8 %	34.1 %	34.4 %
GAAP reported operating income	\$ 1,872	\$ 1,770	\$ 1,837	\$ 1,430	\$ 1,427
Certain items associated with acquisitions ¹	12	11	11	11	11
Acquisition integration and deal costs	2	—	1	1	—
Legal settlement ²	—	—	—	—	253
Non-GAAP operating income	<u>\$ 1,886</u>	<u>\$ 1,781</u>	<u>\$ 1,849</u>	<u>\$ 1,442</u>	<u>\$ 1,691</u>
Non-GAAP operating margin	33.7 %	33.0 %	33.2 %	29.6 %	32.9 %
GAAP reported operating income	\$ 336	\$ 378	\$ 400	\$ 433	\$ 438
Acquisition integration and deal costs	1	—	—	1	—
Non-GAAP operating income	<u>\$ 337</u>	<u>\$ 378</u>	<u>\$ 400</u>	<u>\$ 434</u>	<u>\$ 438</u>
Non-GAAP operating margin	24.9 %	26.6 %	27.3 %	28.8 %	28.1 %

FOOTNOTE:

- These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- Charge of \$253 million related to agreed settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.

NOTE:

The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain revenues, costs of products sold and operating expenses that are reported within other and included in consolidated operating income.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS	FQ1'25		FQ2'25		FQ3'25		FQ4'25		FQ1'26
GAAP reported Operating Expenses	\$	1,321	\$	1,316	\$	1,329	\$	1,553	\$ 1,604
Certain items associated with acquisitions ¹		(5)		(5)		(4)		(4)	(4)
Acquisition integration and deal costs		(3)		—		(1)		(2)	—
Impairment of goodwill		—		—		—		(41)	—
Legal settlement ²		—		—		—		—	(253)
Restructuring charges ³		—		—		—		(181)	(12)
Non-GAAP operating expenses	\$	<u>1,313</u>	\$	<u>1,311</u>	\$	<u>1,324</u>	\$	<u>1,325</u>	\$ <u>1,335</u>

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. Charge of \$253 million related to agreed settlement with the U.S. Commerce Department Bureau of Industry and Security to resolve a previously disclosed export controls compliance matter.
3. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.

UNAUDITED QUARTERLY RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FQ1'26
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 925	\$ 1,571	\$ 2,634	\$ 2,828	\$ 1,686
Capital expenditures	<u>(381)</u>	<u>(510)</u>	<u>(584)</u>	<u>(785)</u>	<u>(646)</u>
Non-GAAP free cash flow	<u>\$ 544</u>	<u>\$ 1,061</u>	<u>\$ 2,050</u>	<u>\$ 2,043</u>	<u>\$ 1,040</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

UNAUDITED FULL YEAR RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS	FY2016	FY2017	FY2018	FY2019	FY2020
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 2,566	\$ 3,789	\$ 3,787	\$ 3,247	\$ 3,804
Capital expenditures	(253)	(345)	(622)	(441)	(422)
Non-GAAP free cash flow	<u>\$ 2,313</u>	<u>\$ 3,444</u>	<u>\$ 3,165</u>	<u>\$ 2,806</u>	<u>\$ 3,382</u>

IN MILLIONS	FY2021	FY2022	FY2023	FY2024	FY2025
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 5,442	\$ 5,399	\$ 8,700	\$ 8,677	\$ 7,958
Capital expenditures	(668)	(787)	(1,106)	(1,190)	(2,260)
Non-GAAP free cash flow	<u>\$ 4,774</u>	<u>\$ 4,612</u>	<u>\$ 7,594</u>	<u>\$ 7,487</u>	<u>\$ 5,698</u>

FOOTNOTE:

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less capital expenditures.

RECONCILIATION INFORMATION FOR BUSINESS OUTLOOK

Non-GAAP outlook for the second quarter of fiscal 2026 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of ~\$11 million and includes a net income tax benefit related to intra-entity intangible asset transfers of ~\$29 million, but does not reflect any items that are unknown at this time, such as any additional charges related to acquisitions or other non-operational or unusual items, as well as other tax-related items, which we are not able to predict without unreasonable efforts due to their inherent uncertainty.



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