



Fourth Quarter Fiscal 2025 Earnings Presentation

NOVEMBER 13, 2025

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, our business outlook for the first quarter of fiscal 2026 and beyond, the anticipated impact of escalated trade tensions and increased tariffs and trade restrictions, 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 SEC filings, including our 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.

Gary Dickerson

President and Chief Executive Officer



FISCAL YEAR 2025

REVENUE

\$28.4B

↑4% YoY

NON-GAAP
EARNINGS PER SHARE*

\$9.42

↑9% YoY

NON-GAAP
GROSS MARGIN*

48.8%

↑120 bps

Sixth Consecutive Year of Growth

Over this period, Applied has grown revenue at ~12% CAGR and earnings at ~20% CAGR

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

FY25

REVIEW

- Revenue growth across segments
 - » Semiconductor Systems Group | **\$20.8B, ↑4% YoY**
 - » Applied Global Services | **\$6.4B, ↑3% YoY**
- Growth in FY25 tempered by increased trade restrictions and unfavorable market mix
- Expect FY26 spending mix to play to Applied's strengths in **leading-edge foundry logic, DRAM, and advanced packaging**

AI Accelerating Investment in Computing Infrastructure

Demand for
AI compute

New AI
applications

VIRTUOUS CYCLE


of Innovation
and Demand

Advances
in AI
computing

Compute demand drives semiconductor growth

- » Semiconductor industry forecast to grow at 10-15% CAGR over next five years
- » Customer ramps will support healthy growth in WFE

Energy-Efficient Computing Enabled by Materials Engineering



AI DATA CENTER ENABLERS		INFLECTIONS	MATERIALS ENGINEERING LEADERSHIP
Leading-Edge Logic		Gate-all-around transistors Backside power delivery	✓
High-Performance DRAM		4F ² 3D DRAM	✓
DRAM Die Stacking		High-Bandwidth Memory (HBM)	✓
Advanced Packaging		Hybrid bonding Substrates	✓
Power Electronics		Compound semi (SiC, GaN)	✓

Inflections grow the WFE market, increase relative mix of materials engineering, and provide opportunity to gain share

A diagram showing a central blue circle with a yellow border containing the text 'INFLECTION-FOCUSED INNOVATION'. Three dotted arrows point from the right side of the circle to three separate white rectangular boxes on the right, each containing a strategic point.

INFLECTION- FOCUSED INNOVATION

Partner with customers to **see technology inflections early**

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

Create highly differentiated solutions by **connecting our broad portfolio**

New Products Exemplify Inflection-Focused Innovation Strategy

Applied Centura™ Xtera™ Epi



- » Creates void-free structures for higher transistor speeds
- » Integrates epi, cleaning and etch to improve uniformity and lower gas usage

Kinex™ Integrated Die-to-Wafer Hybrid Bonding System



- » Enables improvement in performance, power and cost for complex multi-chip packages
- » Provides higher-accuracy bonding, smaller interconnect pitches, and higher yields

PROVision™ 10 eBeam Metrology



Cold Field
Emission
(CFE)



- » Extends eBeam leadership with first use of CFE for metrology in industry
- » Designed to improve yield, increase image resolution and speed for 3D devices



ON TRACK TO BEGIN
OPERATIONS IN 2026

EPIC CENTER

- » Home to Applied's high-velocity co-innovation model
- » Provides earlier access to next-generation process technology
- » Accelerates new chip and system architectures



APPLIED GLOBAL SERVICES®

- Helping customers manage increasing complexity as they ramp next generation technology into high volume manufacturing
- Greater than two-thirds of Core AGS revenue is from subscriptions
- Rapidly adopting AI and digital tools to drive higher velocity and productivity

**Core parts and services
business delivered
double-digit growth in FY25**

CEO SUMMARY

- Sixth consecutive year of growth, despite trade restrictions and unfavorable market mix
- Substantial investment in AI computing infrastructure expected to drive growth in semiconductors and WFE
- Inflection-focused innovation strategy positions us well at the highest-value technology inflections
- Extending leadership in logic, DRAM, and packaging as next-generation technologies ramp in volume production

Brice Hill

SVP, Chief Financial Officer



CFO OVERVIEW

- FY25: Record revenue, gross margin dollars, operating profit and EPS
- Applied in a great position to benefit from favorable market trends
- AI data center driving leading-edge foundry-logic, DRAM and HBM to be the fastest growing areas of the semiconductor equipment market – Applied has strong leadership in these segments today
- R&D focused on new technologies to enable faster and more energy-efficient transistors, chips and systems
- Preparing our operations and service organizations to support higher demand beginning in the second half of calendar 2026, based on customer conversations

FY2025 Non-GAAP Financial Results

\$M, except EPS	FY2024	FY2025	YoY
Revenue	27,176	28,368	4 %
Gross Margin*	47.6%	48.8%	120bps
Operating Expenses*	5,002	5,273	5 %
Operating Income*	7,924	8,562	8 %
Operating Margin*	29.2%	30.2%	100bps
EPS*	\$8.65	\$9.42	9 %

YEAR-OVER-YEAR HIGHLIGHTS:

- Growth across all segments
- Record revenue in Taiwan and Korea
- Semi Systems +4% Y/Y, even as impact of trade restrictions significantly reduced China market access
 - » Record foundry revenue globally
 - » Record DRAM sales outside China
- AGS record revenue, +3% Y/Y
 - » Recurring parts, services and software grew double digits; 200mm business declined
- Highest GM% in 25 years
 - » Price increases and richer mix of advanced systems more than offset cost increases
- Opex growth driven by 10% R&D increase

* 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

Cash Flows and Shareholder Distributions

CASH FLOWS (\$M)	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25	FY25
Operating Cash Flow	2,575	925	1,571	2,634	2,828	7,958
Free Cash Flow*	2,168	544	1,061	2,050	2,043	5,698
SHAREHOLDER DISTRIBUTIONS (\$M)						
Total Shareholder Distributions	(1,771)	(1,644)	(1,995)	(1,424)	(1,216)	(6,279)
Share Repurchases	(1,442)	(1,318)	(1,670)	(1,056)	(851)	(4,895)
Dividends	(329)	(326)	(325)	(368)	(365)	(1,384)

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

\$14.0B remaining on share repurchase authorization at end of FQ4'25

* 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

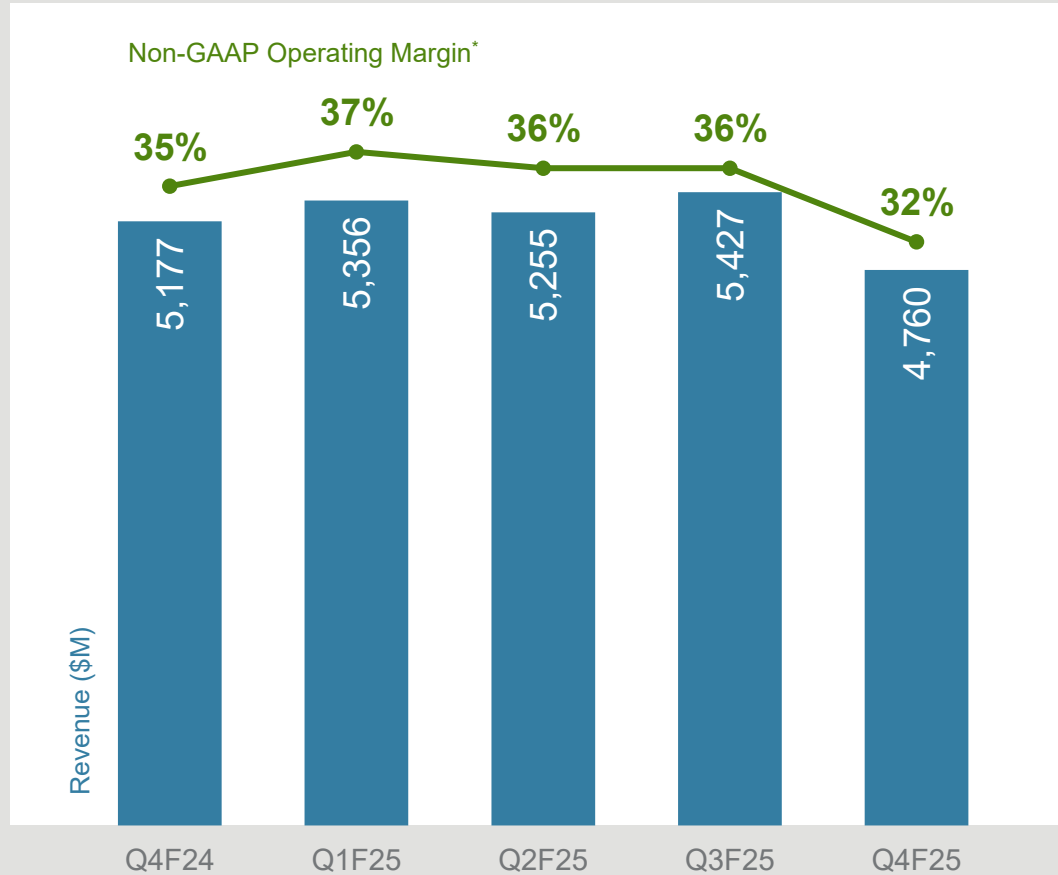
FQ4'25 Non-GAAP Financial Results

\$M, except EPS	FQ4'24	FQ3'25	FQ4'25	YoY
Revenue	7,045	7,302	6,800	(3)%
Gross Margin*	47.5%	48.9%	48.1%	60bps
Operating Expenses*	1,281	1,324	1,325	3 %
Operating Income*	2,063	2,245	1,947	(6)%
Operating Margin*	29.3%	30.7%	28.6%	-70bps
EPS*	\$2.32	\$2.48	\$2.17	(6)%

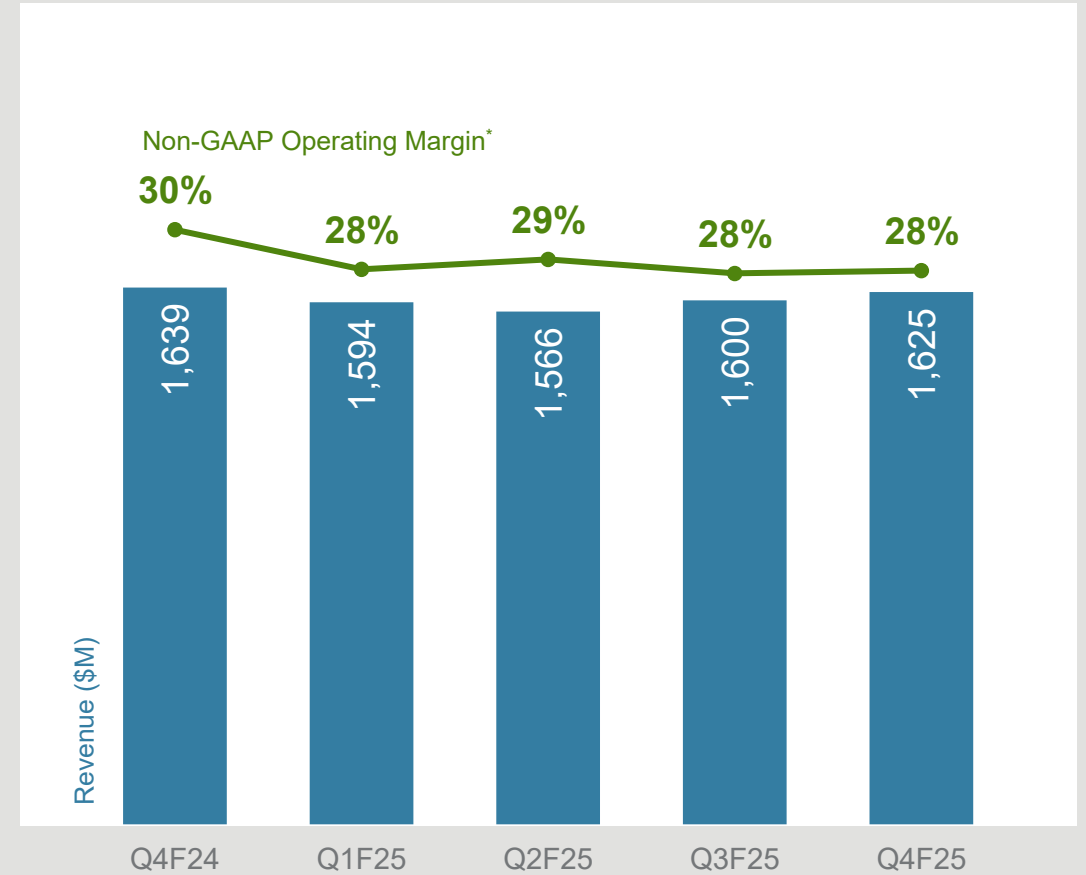
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FQ4'25 Segment Results

SEMICONDUCTOR SYSTEMS



APPLIED GLOBAL SERVICES



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REPORTING CHANGES

- Implementing several reporting changes to help drive further efficiency gains and give investors more visibility into our semiconductor and services businesses
- Display business being reported in Corporate and Other, as of FQ4'25
 - » No change to our Display strategy
- 200mm equipment business moving from AGS to Semi Systems, as of FQ1'26
 - » Increase operational efficiency and enable visibility to all our semiconductor systems revenue in one place
 - » AGS will consist entirely of recurring revenue, making it easier to track our subscription-like growth in services
- Fully allocating corporate support costs to our businesses, as of FQ1'26
 - » Give our teams better visibility and opportunity to optimize these costs

Business Outlook

First QUARTER FISCAL 2026

OUTLOOK*	Total Revenue	~\$6.850B ± \$500M
	Non-GAAP EPS*	~\$2.18 ± \$0.20
REVENUE	Semiconductor Systems (now includes 200mm equipment)	~\$5.025B**
	Applied Global Services (now excludes 200mm equipment)	~\$1.520B**
	Corporate and Other	~\$305M
OTHER	Non-GAAP Gross Margin*	~48.4%
	Non-GAAP Operating Expenses*	~\$1.330B
	Non-GAAP Tax Rate*	~13%

* 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 in Applied Global Services

Q&A

Capital Allocation Strategy

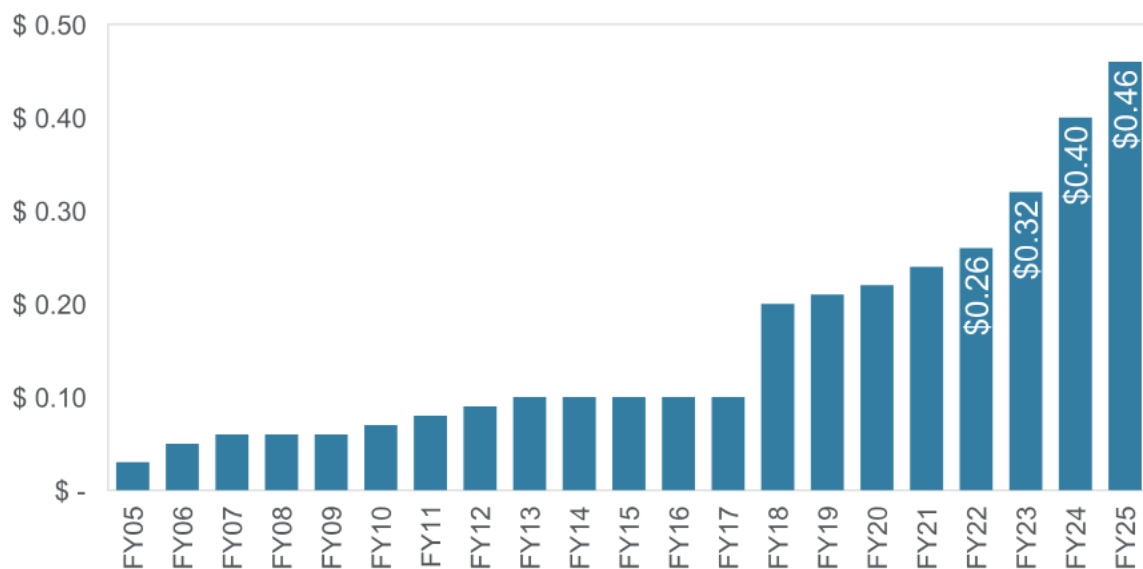
1. Invest in R&D and infrastructure to enable profitable growth

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

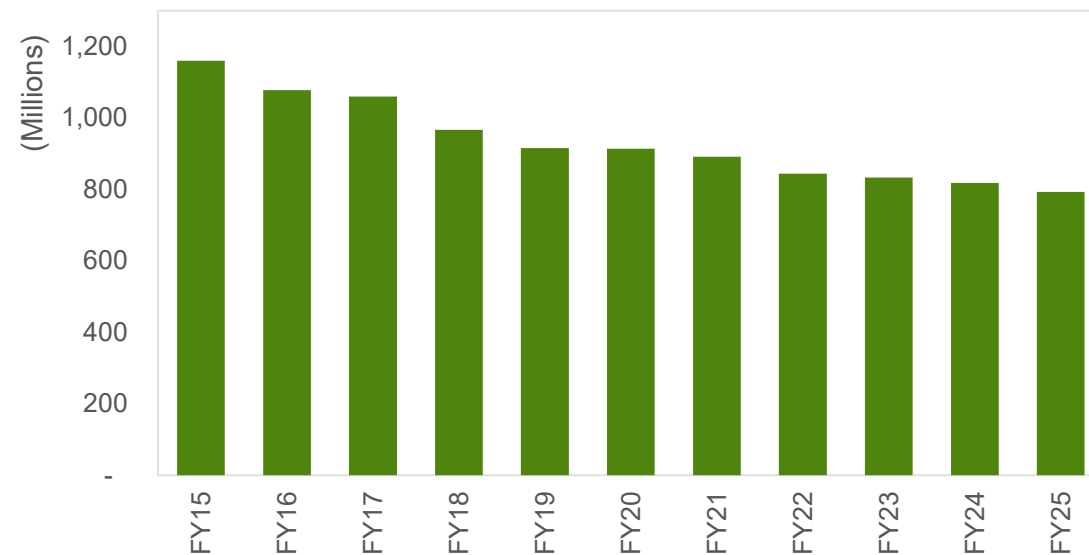
OVER PAST 10 FISCAL YEARS (through FY25)

- » 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

\$14.0B remaining on share repurchase authorization at end of FQ4'25

* 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

Strong Investment-Grade Balance Sheet

CASH AND INVESTMENTS (\$M)	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
Cash and Cash Equivalents	8,022	6,264	6,169	5,384	7,241
Short-Term Investments	1,449	1,949	578	1,630	1,332
Long-Term Investments	2,787	2,686	3,638	4,133	4,327
Total Cash and Investments	12,258	10,899	10,385	11,147	12,900
DEBT (\$M)					
Short-Term Debt*	799	799	799	799	100
Current ratings (Moody's / S&P): P-1 / A-1					
Long-Term Debt	5,460	5,461	5,462	5,463	6,455
Current ratings (Moody's / S&P): A2 / A					
Total Debt	6,259	6,260	6,261	6,262	6,555

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



NET ZERO 2040 PLAYBOOK™

Links: [2024 Impact Report](#)

LATEST 3rd PARTY ESG RATINGS

CDP Climate	B
CDP Water	A-
MSCI	AAA
Sustainalytics Risk Rating	Low
ISS (E/S/G)	3/3/1

Additional Resources

Investor Relations Home Page

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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 certain items related to mergers and acquisitions; restructuring and severance charges and any associated adjustments; 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

	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
GAAP reported gross profit	\$ 3,335	\$ 3,496	\$ 3,485	\$ 3,562	\$ 3,265
Certain items associated with acquisitions ¹	6	7	6	7	7
Impairment of long-lived assets	3	—	—	—	—
Non-GAAP gross profit	<u>\$ 3,344</u>	<u>\$ 3,503</u>	<u>\$ 3,491</u>	<u>\$ 3,569</u>	<u>\$ 3,272</u>
Non-GAAP gross margin	47.5 %	48.9 %	49.2 %	48.9 %	48.1 %

Non-GAAP Operating Income

GAAP reported operating income	\$ 2,046	\$ 2,175	\$ 2,169	\$ 2,233	\$ 1,712
Certain items associated with acquisitions ¹	11	12	11	11	11
Acquisition integration and deal costs	3	3	—	1	2
Impairment of goodwill and other long-lived assets	3	—	—	—	41
Restructuring charges ²	—	—	—	—	181
Non-GAAP operating income	<u>\$ 2,063</u>	<u>\$ 2,190</u>	<u>\$ 2,180</u>	<u>\$ 2,245</u>	<u>\$ 1,947</u>
Non-GAAP operating margin	29.3 %	30.6 %	30.7 %	30.7 %	28.6 %

Non-GAAP Net Income

GAAP reported net income	\$ 1,731	\$ 1,185	\$ 2,137	\$ 1,779	\$ 1,897
Certain items associated with acquisitions ¹	11	12	11	11	11
Acquisition integration and deal costs	3	3	—	1	2
Impairment of goodwill and other long-lived assets	3	—	—	—	41
Restructuring charges ²	—	—	—	—	181
Realized loss (gain), dividends and impairments on strategic investments, net	(1)	(9)	(18)	16	(55)
Unrealized loss (gain) on strategic investments, net	244	106	(80)	(314)	(467)
Foreign exchange loss (gain) related to purchase of strategic investment	—	—	23	—	—
Loss (gain) on asset sale	—	—	(44)	—	—
Income tax effect of share-based compensation ³	7	(10)	4	7	(1)
Income tax effect related to intra-entity intangible asset transfers ⁴	(33)	674	32	32	39
Resolution of prior years' income tax filings and other tax items ⁵	(47)	(16)	(124)	460	(7)
Income tax effect of non-GAAP adjustments ⁶	(1)	1	(1)	(3)	91
Non-GAAP net income	<u>\$ 1,917</u>	<u>\$ 1,946</u>	<u>\$ 1,940</u>	<u>\$ 1,989</u>	<u>\$ 1,732</u>

FOOTNOTES:

- These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
- The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
- GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
- 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.
- 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.
- 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

	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
GAAP reported earnings per diluted share	\$ 2.09	\$ 1.45	\$ 2.63	\$ 2.22	\$ 2.38
Certain items associated with acquisitions ¹	0.01	0.01	0.01	0.01	0.01
Impairment of goodwill and other long-lived assets	—	—	—	—	0.05
Restructuring charges ²	—	—	—	—	0.19
Realized loss (gain), dividends and impairments on strategic investments, net	—	(0.01)	(0.02)	0.02	(0.07)
Unrealized loss (gain) on strategic investments, net	0.30	0.13	(0.10)	(0.39)	(0.43)
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 ³	0.01	(0.01)	—	0.01	—
Income tax effects related to intra-entity intangible asset transfers ⁴	(0.04)	0.83	0.04	0.04	0.05
Resolution of prior years' income tax filings and other tax items ⁵	(0.05)	(0.02)	(0.15)	0.57	(0.01)
Non-GAAP earnings per diluted share	<u>\$ 2.32</u>	<u>\$ 2.38</u>	<u>\$ 2.39</u>	<u>\$ 2.48</u>	<u>\$ 2.17</u>
Weighted average number of diluted shares	828	819	812	802	798

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
3. GAAP basis tax benefit related to share-based compensation is recognized ratably over the fiscal year on a non-GAAP basis.
4. 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.
5. 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 Operating Income

	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
GAAP reported operating income	\$ 1,824	\$ 1,986	\$ 1,900	\$ 1,966	\$ 1,527
Certain items associated with acquisitions ¹	10	12	11	11	11
Non-GAAP operating income	<u>\$ 1,834</u>	<u>\$ 1,998</u>	<u>\$ 1,911</u>	<u>\$ 1,977</u>	<u>\$ 1,538</u>
Non-GAAP operating margin	35.4 %	37.3 %	36.4 %	36.4 %	32.3 %

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 492	\$ 447	\$ 446	\$ 445	\$ 454
Non-GAAP operating income	<u>\$ 492</u>	<u>\$ 447</u>	<u>\$ 446</u>	<u>\$ 445</u>	<u>\$ 454</u>
Non-GAAP operating margin	30.0 %	28.0 %	28.5 %	27.8 %	27.9 %

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

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 corporate and other and included in consolidated operating income.

UNAUDITED QUARTERLY RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS

	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
GAAP reported Operating Expenses	\$ 1,289	\$ 1,321	\$ 1,316	\$ 1,329	\$ 1,553
Certain items associated with acquisitions ¹	(5)	(5)	(5)	(4)	(4)
Acquisition integration and deal costs	(3)	(3)	—	(1)	(2)
Impairment of goodwill and other long-lived assets	—	—	—	—	(41)
Restructuring charges ²	—	—	—	—	(181)
Non-GAAP operating expenses	<u>\$ 1,281</u>	<u>\$ 1,313</u>	<u>\$ 1,311</u>	<u>\$ 1,324</u>	<u>\$ 1,325</u>

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. 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	FQ4'24	FQ1'25	FQ2'25	FQ3'25	FQ4'25
Non-GAAP Free Cash Flows¹					
Cash provided by operating activities	\$ 2,575	\$ 925	\$ 1,571	\$ 2,634	\$ 2,828
Capital expenditures	<u>(407)</u>	<u>(381)</u>	<u>(510)</u>	<u>(584)</u>	<u>(785)</u>
Non-GAAP free cash flow	<u>\$ 2,168</u>	<u>\$ 544</u>	<u>\$ 1,061</u>	<u>\$ 2,050</u>	<u>\$ 2,043</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 GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Non-GAAP Gross Profit

	FY2024	FY2025
GAAP reported gross profit	\$ 12,897	\$ 13,808
Certain items associated with acquisitions ¹	26	27
Impairment of long-lived assets	3	—
Non-GAAP gross profit	<u>\$ 12,926</u>	<u>\$ 13,835</u>
Non-GAAP gross margin	47.6 %	48.8 %

Non-GAAP Operating Income

GAAP reported operating income	\$ 7,867	\$ 8,289
Certain items associated with acquisitions ¹	42	45
Acquisition integration and deal costs	12	6
Impairment of goodwill and other long-lived assets	3	41
Restructuring charges ²	—	181
Non-GAAP operating income	<u>\$ 7,924</u>	<u>\$ 8,562</u>
Non-GAAP operating margin	29.2 %	30.2 %

Non-GAAP Net Income

GAAP reported net income	\$ 7,177	\$ 6,998
Certain items associated with acquisitions ¹	42	45
Acquisition integration and deal costs	12	6
Impairment of goodwill and other long-lived assets	3	41
Restructuring charges ²	—	181
Realized loss (gain), dividends and impairments on strategic investments, net	11	(66)
Unrealized loss (gain) on strategic investments, net	(31)	(755)
Foreign exchange loss (gain) related to purchase of strategic investment	—	23
Loss (gain) on asset sale	—	(44)
Income tax effect related to intra-entity intangible asset transfers ³	24	777
Resolution of prior years' income tax filings and other tax items ⁴	(25)	313
Income tax effect of non-GAAP adjustments ⁵	(3)	88
Non-GAAP net income	<u>\$ 7,210</u>	<u>\$ 7,607</u>

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
3. Amount for the fiscal 2025 included changes to the income tax provision of \$118 million from amortization of intangibles and a \$659 million remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.
4. Amount for the fiscal 2025 included the impact of the recognition of a \$403 million valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.
5. Adjustment to provision for income taxes related to non-GAAP adjustments reflected in income before income taxes.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

IN MILLIONS, EXCEPT PER SHARE AMOUNTS

Non-GAAP Earnings Per Diluted Share

	FY2024	FY2025
GAAP reported earnings per diluted share	\$ 8.61	\$ 8.66
Certain items associated with acquisitions ¹	0.05	0.05
Acquisition integration and deal costs	0.01	0.01
Impairment of goodwill and other long-lived assets	—	0.05
Restructuring charges ²	—	0.19
Realized loss (gain), dividends and impairments on strategic investments, net	0.01	(0.08)
Unrealized loss (gain) on strategic investments, net	(0.03)	(0.80)
Foreign exchange loss (gain) related to purchase of strategic investment	—	0.03
Loss (gain) on asset sale	—	(0.04)
Income tax effects related to intra-entity intangible asset transfers ³	0.03	0.96
Resolution of prior years' income tax filings and other tax items ⁴	(0.03)	0.39
Non-GAAP earnings per diluted share	<u>\$ 8.65</u>	<u>\$ 9.42</u>
Weighted average number of diluted shares	834	808

FOOTNOTES:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.
2. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.
3. Amount for the fiscal 2025 included changes to the income tax provision of \$0.14 per diluted share from amortization of intangibles and \$0.82 per diluted share from a remeasurement of deferred tax assets resulting from new tax incentive agreements in Singapore in fiscal 2025.
4. Amount for the fiscal 2025 included a \$0.50 per diluted share impact of the recognition of a valuation allowance against deferred tax assets related to corporate alternative minimum tax credits.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP SEGMENT OPERATING RESULTS

IN MILLIONS, EXCEPT PERCENTAGES

Semiconductor Systems Non-GAAP Operating Income

	FY2024	FY2025
GAAP reported operating income	\$ 6,981	\$ 7,379
Certain items associated with acquisitions ¹	40	45
Non-GAAP operating income	<u>\$ 7,021</u>	<u>\$ 7,424</u>
Non-GAAP operating margin	35.3 %	35.7 %

AGS Non-GAAP Operating Income

GAAP reported operating income	\$ 1,812	\$ 1,792
Non-GAAP operating income	<u>\$ 1,812</u>	<u>\$ 1,792</u>
Non-GAAP operating margin	29.1 %	28.1 %

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

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 corporate and other and included in consolidated operating income.

UNAUDITED FULL YEAR RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

IN MILLIONS	FY2024		FY2025	
GAAP reported Operating Expenses	\$	5,030	\$	5,519
Certain items associated with acquisitions ¹		(16)		(18)
Acquisition integration and deal costs		(12)		(6)
Impairment of goodwill and other long-lived assets		—		(41)
Restructuring charges ²		—		(181)
Non-GAAP operating expenses	\$	<u>5,002</u>	\$	<u>5,273</u>

FOOTNOTE:

1. These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

2. The restructuring charges related to a workforce reduction plan announced in the fourth quarter of fiscal 2025.

UNAUDITED FULL YEAR RECONCILIATION OF NON-GAAP FREE CASH FLOW

IN MILLIONS

Non-GAAP Free Cash Flows¹

	FY2016	FY2017	FY2018	FY2019	FY2020
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

Non-GAAP Free Cash Flows¹

	FY2021	FY2022	FY2023	FY2024	FY2025
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 first quarter of fiscal 2026 (including non-GAAP gross margin, operating margin, operating expenses and EPS) excludes known charges related to completed acquisitions of approximately \$11 million and includes a net income tax benefit related to intra-entity intangible asset transfers of approximately \$33 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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