



Applied Materials Announces Third Quarter Results

August 15, 2013

- Non-GAAP adjusted EPS of 18 cents at mid-point of guidance; GAAP EPS of 14 cents
- Strong demand for mobile devices and large-screen TVs drives semiconductor and display equipment sales
- Spending shift to RD&E to fund profitable growth opportunities in precision materials engineering

SANTA CLARA, Calif., August 15, 2013 - Applied Materials, Inc. (NASDAQ:AMAT), the global leader in manufacturing solutions for the semiconductor, display and solar industries, today reported results for its third quarter of fiscal 2013 ended July 28, 2013.

Applied generated orders of \$2.00 billion, down 12 percent from the prior quarter as a seasonal decline in foundry bookings was partially offset by growth in memory and logic orders along with higher bookings in the Display Group and Applied Global Services. Net sales were \$1.98 billion, essentially flat sequentially. The company reported non-GAAP adjusted operating income of \$312 million and non-GAAP adjusted net income of \$223 million or 18 cents per diluted share. The company recorded GAAP operating income of \$250 million and GAAP net income of \$168 million or 14 cents per diluted share.

"Consumers' appetite for mobile devices and larger TVs is driving healthy demand for our semiconductor and display equipment," said Mike Splinter, chairman and chief executive officer. "We are seeing stronger investment by our memory customers, and our display business booked its highest orders in over two years."

Quarterly Results Summary

| <u>GAAP Results</u> | <u>Q3 FY2013</u> | <u>Q2 FY2013</u> | <u>Q3 FY2012</u> |
|---|------------------|------------------|------------------|
| Net sales | \$1.98 billion | \$1.97 billion | \$2.34 billion |
| Operating income (loss) | \$250 million | \$(68) million | \$322 million |
| Net income (loss) | \$168 million | \$(129) million | \$218 million |
| Diluted earnings (loss) per share (EPS) | \$0.14 | \$(0.11) | \$0.17 |
| <u>Non-GAAP Adjusted Results</u> | | | |
| Non-GAAP adjusted operating income | \$312 million | \$285 million | \$431 million |
| Non-GAAP adjusted net income | \$223 million | \$199 million | \$300 million |
| Non-GAAP adjusted diluted EPS | \$0.18 | \$0.16 | \$0.24 |

Applied's non-GAAP adjusted results exclude the impact of the following, where applicable: certain acquisition-related costs; restructuring charges and any associated adjustments; impairments of assets, goodwill, or investments; gain or loss on sale of facilities; and certain tax items. A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial tables included in this release. See also "Use of Non-GAAP Adjusted Financial Measures" below.

Third Quarter Reportable Segment Results and Comparisons to the Prior Quarter

Silicon Systems Group (SSG) orders were \$1.20 billion, down 22 percent, due to a decrease in foundry orders, partially offset by increases in memory and logic orders. Net sales of \$1.27 billion declined 1 percent. Non-GAAP adjusted operating income decreased to \$283 million or 22.2 percent of net sales. GAAP operating income decreased to \$246 million or 19.3 percent of net sales. New order composition was: foundry 45 percent; flash 24 percent; logic/other 17 percent; and DRAM 14 percent.

Applied Global Services (AGS) orders were \$517 million, up 7 percent, reflecting higher orders for spares and 200mm equipment. Net sales were \$497 million down 4 percent. Non-GAAP adjusted operating income was approximately flat at \$116 million or 23.3 percent of net sales. GAAP operating income was approximately flat at \$114 million or 22.9 percent of net sales.

Display orders were \$256 million, up 31 percent led by a recovery in TV equipment demand. Net sales were \$161 million up 27 percent. Non-GAAP adjusted operating income increased to \$34 million or 21.1 percent of net sales. GAAP operating income increased to \$33 million or 20.5 percent of net sales.

Energy and Environmental Solutions (EES) orders were \$19 million, down 51 percent. Net sales were \$45 million, up 18 percent. EES had a non-GAAP adjusted operating loss of \$15 million; EES recorded a GAAP operating loss of \$27 million, which included restructuring and impairment charges of \$10 million.

Additional Quarterly Financial Information

- Backlog was approximately flat sequentially at \$2.29 billion including negative adjustments of \$28 million.
- Gross margin was 42.9 percent on a non-GAAP adjusted basis, down slightly from 43.2 percent in the prior quarter. GAAP

gross margin was 40.8 percent.

- On a year-over-year basis, G&A declined by \$40 million, or 29 percent, while RD&E increased by \$25 million, or 8 percent. These changes primarily reflect the impact of ongoing initiatives to reduce company overhead spending and increase funding of profitable growth opportunities, particularly in the Silicon Systems Group.
- The effective tax rate was 23.9 percent on a non-GAAP adjusted basis. The GAAP effective tax rate was 26.3 percent.
- The company paid \$120 million in cash dividends, up 11 percent from the prior quarter, reflecting the quarterly dividend increase announced in March 2013. Applied also used \$50 million to repurchase 3 million shares of its common stock.
- Cash, cash equivalents and investments ended the quarter at \$3.03 billion, up 6 percent from the prior quarter.

Business Outlook

For the fourth quarter of fiscal 2013, Applied expects net sales to be approximately flat as compared to the previous quarter. The company expects non-GAAP adjusted operating expenses to be in the range of \$525 million, plus or minus \$10 million. Non-GAAP adjusted EPS is expected to be in the range of \$0.16 to \$0.20. The non-GAAP adjusted operating expenses and EPS outlooks exclude known charges related to completed acquisitions of approximately \$19 million and \$0.04 per share, respectively, but do not exclude other non-GAAP adjustments that may arise subsequent to this release.

Use of Non-GAAP Adjusted Financial Measures

Management uses non-GAAP adjusted results to evaluate the company's operating and financial performance in light of business objectives and for planning purposes. These measures are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. Applied believes these measures enhance 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. The presentation of this additional information should not be considered a substitute for results prepared in accordance with GAAP.

Webcast Information

Applied Materials will discuss these results during an earnings call that begins at 1:30 p.m. Pacific Time today. A live webcast will be available at www.appliedmaterials.com. A replay will be available on the website beginning at 5:00 p.m. Pacific Time today.

Forward-Looking Statements

This press release contains forward-looking statements, including those regarding Applied's performance, end-user and customer demand, spending for growth, and business outlooks for the fourth quarter of fiscal 2013. These statements and their underlying assumptions are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to: the level of demand for Applied's products, which is subject to many factors, including uncertain global economic and industry conditions, end-demand for electronic products and semiconductors, and customers' new technology and capacity requirements; variability of operating expenses and results among the company's segments caused by differing conditions in the served markets; the concentrated nature of Applied's customer base; Applied's ability to (i) develop, deliver and support a broad range of products, expand its markets and develop new markets, (ii) achieve the objectives of operational initiatives, (iii) plan and manage its resources and production capability, (iv) obtain and protect intellectual property rights in key technologies, (v) attract, motivate and retain key employees, and (vi) accurately forecast future results, which depends on multiple assumptions related to, without limitation, market conditions, customer requirements and business needs; and other risks described in Applied's SEC filings, including its most recent Form 10-Q. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. The company undertakes no obligation to update any forward-looking statements.

About Applied Materials

Applied Materials, Inc. (Nasdaq:AMAT) is the global leader in providing innovative equipment, services and software to enable the manufacture of advanced semiconductor, flat panel display and solar photovoltaic products. Our technologies help make innovations like smartphones, flat screen TVs and solar panels more affordable and accessible to consumers and businesses around the world. Learn more at www.appliedmaterials.com.

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APPLIED MATERIALS, INC. UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|----------------|---------------|-------------------|---------------|
| | July 28, 2013 | April 28, 2013 | July 29, 2012 | July 28, 2013 | July 29, 2012 |
| <i>(In millions, except per share amounts)</i> | | | | | |
| Net sales | \$ 1,975 | \$ 1,973 | \$ 2,343 | \$ 5,521 | \$ 7,073 |
| Cost of products sold | 1,169 | 1,165 | 1,413 | 3,325 | 4,347 |
| Gross margin | 806 | 808 | 930 | 2,196 | 2,726 |
| Operating expenses: | | | | | |
| Research, development and engineering | 334 | 344 | 309 | 982 | 933 |
| Marketing and selling | 111 | 118 | 118 | 334 | 374 |
| General and administrative | 97 | 126 | 137 | 348 | 465 |

| | | | | | |
|--|---------|-----------|---------|---------|---------|
| Impairment of goodwill and intangible assets | - | 278 | - | 278 | - |
| Restructuring charges and asset impairments | 14 | 10 | 44 | 33 | 44 |
| Total operating expenses | 556 | 876 | 608 | 1,975 | 1,816 |
| Income (loss) from operations | 250 | (68) | 322 | 221 | 910 |
| Impairments of strategic investments | 3 | 2 | - | 5 | 3 |
| Interest and other expenses | 23 | 24 | 24 | 71 | 72 |
| Interest and other income, net | 4 | 4 | 4 | 11 | 13 |
| Income (loss) before income taxes | 228 | (90) | 302 | 156 | 848 |
| Provision for income taxes | 60 | 39 | 84 | 83 | 224 |
| Net income (loss) | \$ 168 | \$ (129) | \$ 218 | \$ 73 | \$ 624 |
| Earnings (loss) per share: | | | | | |
| Basic | \$ 0.14 | \$ (0.11) | \$ 0.17 | \$ 0.06 | \$ 0.49 |
| Diluted | \$ 0.14 | \$ (0.11) | \$ 0.17 | \$ 0.06 | \$ 0.48 |
| Weighted average number of shares: | | | | | |
| Basic | 1,203 | 1,203 | 1,257 | 1,201 | 1,282 |
| Diluted | 1,220 | 1,203 | 1,268 | 1,218 | 1,292 |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

| | | | |
|---|--|-----------|-----------|
| <i>(In millions)</i> | <u>July 28, 2013</u> <u>April 28, 2013</u> <u>October 28, 2012</u> | | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,745 | \$ 1,545 | \$ 1,392 |
| Short-term investments | 230 | 225 | 545 |
| Accounts receivable, net | 1,170 | 1,275 | 1,220 |
| Inventories | 1,358 | 1,318 | 1,272 |
| Other current assets | 734 | 750 | 673 |
| Total current assets | 5,237 | 5,113 | 5,102 |
| Long-term investments | 1,055 | 1,080 | 1,055 |
| Property, plant and equipment, net | 872 | 886 | 910 |
| Goodwill | 3,294 | 3,294 | 3,518 |
| Purchased technology and other intangible assets, net | 1,148 | 1,194 | 1,355 |
| Deferred income taxes and other assets | 145 | 128 | 162 |
| Total assets | \$ 11,751 | \$ 11,695 | \$ 12,102 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 1,446 | \$ 1,462 | \$ 1,510 |
| Customer deposits and deferred revenue | 756 | 739 | 755 |
| Total current liabilities | 2,202 | 2,201 | 2,265 |
| Long-term debt | 1,946 | 1,946 | 1,946 |
| Other liabilities | 649 | 650 | 656 |
| Total liabilities | 4,797 | 4,797 | 4,867 |
| Total stockholders' equity | 6,954 | 6,898 | 7,235 |
| Total liabilities and stockholders' equity | \$ 11,751 | \$ 11,695 | \$ 12,102 |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| | | | | | |
|---|---------------------------|------------------|-----------------|--------------------------|-----------------|
| <i>(In millions)</i> | <u>Three Months Ended</u> | | | <u>Nine Months Ended</u> | |
| | <u>July 28,</u> | <u>April 28,</u> | <u>July 29,</u> | <u>July 28,</u> | <u>July 29,</u> |
| | <u>2013</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ 168 | \$ (129) | \$ 218 | \$ 73 | \$ 624 |
| Adjustments required to reconcile net income (loss) to cash provided by operating activities: | | | | | |
| Depreciation and amortization | 100 | 106 | 105 | 312 | 325 |
| Impairment of goodwill and intangible assets | - | 278 | - | 278 | - |
| Restructuring charges and asset impairments | 14 | 10 | 44 | 33 | 44 |
| Deferred income taxes and other | (56) | 32 | 91 | (102) | 144 |
| Share-based compensation | 40 | 39 | 42 | 121 | 138 |
| Net change in operating assets and liabilities, net of amounts acquired | 98 | (112) | 156 | (111) | 165 |
| Cash provided by operating activities | 364 | 224 | 656 | 604 | 1,440 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures, net | (40) | (51) | (45) | (140) | (121) |

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Cash paid for acquisition, net of cash acquired | - | (1) | (3) | (1) | (4,189) |
| Proceeds from sales and maturities of investments | 134 | 158 | 205 | 737 | 765 |
| Purchases of investments | (128) | (167) | (438) | (438) | (1,152) |
| Cash provided by (used in) investing activities | (34) | (61) | (281) | 158 | (4,697) |
| Cash flows from financing activities: | | | | | |
| Proceeds from common stock issuances and others, net | 40 | 67 | 6 | 125 | 51 |
| Common stock repurchases | (50) | (100) | (500) | (198) | (900) |
| Payments of dividends to stockholders | (120) | (108) | (115) | (336) | (323) |
| Cash used in financing activities | (130) | (141) | (609) | (409) | (1,172) |
| Effect of exchange rate changes on cash and cash equivalents | - | - | 2 | - | (2) |
| Increase (decrease) in cash and cash equivalents | 200 | 22 | (232) | 353 | (4,431) |
| Cash and cash equivalents - beginning of period | 1,545 | 1,523 | 1,761 | 1,392 | 5,960 |
| Cash and cash equivalents - end of period | \$ 1,745 | \$ 1,545 | \$ 1,529 | \$ 1,745 | \$ 1,529 |
| Supplemental cash flow information: | | | | | |
| Cash payments for income taxes | \$ 30 | \$ 122 | \$ 54 | \$ 184 | \$ 233 |
| Cash refunds from income taxes | \$ - | \$ 2 | \$ 1 | \$ 67 | \$ 5 |
| Cash payments for interest | \$ 39 | \$ 7 | \$ 39 | \$ 85 | \$ 87 |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Reportable Segment Results

| | Q3 FY2013 | | | Q2 FY2013 | | | Q3 FY2012 | | |
|----------------------|----------------|----------------|-------------------------|----------------|----------------|-------------------------|----------------|----------------|-------------------------|
| | New Orders | Net Sales | Operating Income (Loss) | New Orders | Net Sales | Operating Income (Loss) | New Orders | Net Sales | Operating Income (Loss) |
| <i>(In millions)</i> | | | | | | | | | |
| SSG | \$1,203 | \$1,272 | \$ 246 | \$1,551 | \$1,291 | \$ 283 | \$1,166 | \$1,545 | \$ 427 |
| AGS | 517 | 497 | 114 | 481 | 517 | 118 | 531 | 579 | 122 |
| Display | 256 | 161 | 33 | 195 | 127 | 19 | 67 | 142 | 10 |
| EES* | 19 | 45 | (27) | 39 | 38 | (322) | 35 | 77 | (102) |
| Corporate | - | - | (116) | - | - | (166) | - | - | (135) |
| Consolidated | <u>\$1,995</u> | <u>\$1,975</u> | <u>\$ 250</u> | <u>\$2,266</u> | <u>\$1,973</u> | <u>\$ (68)</u> | <u>\$1,799</u> | <u>\$2,343</u> | <u>\$ 322</u> |

* Operating loss for the second quarter of fiscal 2013 included \$278 million in goodwill and intangible asset impairment charges

Corporate Unallocated Expenses

| <i>(In millions)</i> | Q3 FY2013 | Q2 FY2013 | Q3 FY2012 |
|---|---------------|---------------|---------------|
| Restructuring charges and asset impairments | \$ 4 | \$ 4 | \$ - |
| Share-based compensation | 40 | 39 | 42 |
| Gain on sale of facility | (4) | - | - |
| Other unallocated expenses | 76 | 123 | 93 |
| Corporate | <u>\$ 116</u> | <u>\$ 166</u> | <u>\$ 135</u> |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Additional Information

| | Q3 FY2013 | | Q2 FY2013 | | Q3 FY2012 | |
|---------------------------------------|------------|-----------|------------|-----------|------------|-----------|
| <i>(In \$ millions)</i> | New Orders | Net Sales | New Orders | Net Sales | New Orders | Net Sales |
| New Orders and Net Sales by Geography | | | | | | |
| United States | 369 | 353 | 398 | 362 | 420 | 441 |
| % of Total | 19% | 18% | 18% | 18% | 23% | 19% |
| Europe | 225 | 175 | 173 | 144 | 172 | 184 |
| % of Total | 11% | 9% | 8% | 7% | 9% | 8% |
| Japan | 333 | 154 | 191 | 157 | 128 | 189 |
| % of Total | 17% | 8% | 8% | 8% | 7% | 8% |
| Korea | 249 | 262 | 259 | 226 | 299 | 392 |
| % of Total | 12% | 13% | 11% | 12% | 17% | 17% |
| Taiwan | 356 | 658 | 902 | 828 | 588 | 811 |

| | | | | | | |
|----------------|-----|-----|-----|-----|-----|-----|
| % of Total | 18% | 33% | 40% | 42% | 33% | 34% |
| Southeast Asia | 124 | 100 | 67 | 73 | 91 | 72 |
| % of Total | 6% | 5% | 3% | 4% | 5% | 3% |
| China | 339 | 273 | 276 | 183 | 101 | 254 |
| % of Total | 17% | 14% | 12% | 9% | 6% | 11% |

Employees (In thousands)

| | | | |
|-------------------|------|------|------|
| Regular Full Time | 13.7 | 13.6 | 14.6 |
|-------------------|------|------|------|

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| <u>(In millions, except percentages)</u> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------|---------------|-------------------|---------------|
| | July 28, 2013 | April 28, 2013 | July 29, 2012 | July 28, 2013 | July 29, 2012 |
| <u>Non-GAAP Adjusted Gross Margin</u> | | | | | |
| Reported gross margin (GAAP basis) | \$ 806 | \$ 808 | \$ 930 | \$ 2,196 | \$ 2,726 |
| Certain items associated with acquisitions ¹ | 40 | 43 | 44 | 126 | 209 |
| Acquisition integration and deal costs | 1 | 1 | - | 3 | - |
| Non-GAAP adjusted gross margin | \$ 847 | \$ 852 | \$ 974 | \$ 2,325 | \$ 2,935 |
| Non-GAAP adjusted gross margin percent (% of net sales) | 42.9% | 43.2% | 41.6% | 42.1% | 41.5% |
| <u>Non-GAAP Adjusted Operating Income</u> | | | | | |
| Reported operating income (loss) (GAAP basis) | \$ 250 | \$ (68) | \$ 322 | \$ 221 | \$ 910 |
| Impairment of goodwill and intangible assets | - | 278 | - | 278 | - |
| Certain items associated with acquisitions ¹ | 47 | 53 | 57 | 154 | 242 |
| Acquisition integration and deal costs | 5 | 12 | 8 | 27 | 70 |
| Restructuring charges and asset impairments ^{2, 3, 4, 5} | 14 | 10 | 44 | 33 | 44 |
| Gain on sale of facility | (4) | - | - | (4) | - |
| Non-GAAP adjusted operating income | \$ 312 | \$ 285 | \$ 431 | \$ 709 | \$ 1,266 |
| Non-GAAP adjusted operating margin percent (% of net sales) | 15.8% | 14.4% | 18.4% | 12.8% | 17.9% |
| <u>Non-GAAP Adjusted Net Income</u> | | | | | |
| Reported net income (loss) (GAAP basis) | \$ 168 | \$ (129) | \$ 218 | \$ 73 | \$ 624 |
| Impairment of goodwill and intangible assets | - | 278 | - | 278 | - |
| Certain items associated with acquisitions ¹ | 47 | 53 | 57 | 154 | 242 |
| Acquisition integration and deal costs | 5 | 12 | 8 | 27 | 70 |
| Restructuring charges and asset impairments ^{2, 3, 4, 5} | 14 | 10 | 44 | 33 | 44 |
| Gain on sale of facility | (4) | - | - | (4) | - |
| Impairment of strategic investments | 3 | 2 | - | 5 | 3 |
| Reinstatement of federal R&D tax credit | - | (3) | - | (13) | - |
| Resolution of prior years' income tax filings | (3) | - | (10) | (14) | (17) |
| Income tax effect of non-GAAP adjustments | (7) | (24) | (17) | (48) | (77) |
| Non-GAAP adjusted net income | \$ 223 | \$ 199 | \$ 300 | \$ 491 | \$ 889 |

1 These items are incremental charges attributable to acquisitions, consisting of inventory fair value adjustments on products sold, and amortization of purchased intangible assets.

2 Results for the three months ended July 28, 2013 included \$4 million of employee-related costs related to the restructuring program announced on October 3, 2012 and restructuring and asset impairment charges of \$10 million related to the restructuring program announced on May 10, 2012.

3 Results for the three months ended April 28, 2013 included \$4 million of employee-related costs related to the restructuring program announced on October 3, 2012 and restructuring and asset impairment charges of \$6 million related to the restructuring program announced on May 10, 2012.

4 Results for the three and nine months ended July 29, 2012 included \$35 million of restructuring and asset impairment charges related to the restructuring program announced on May 10, 2012 and severance charges of \$9 million related to the integration of Varian.

5 Results for the nine months ended July 28, 2013 included \$12 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$19 million related to the restructuring program announced on May 10, 2012 and severance charges of \$2 million related to the integration of Varian.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| <u>(In millions except per share amounts)</u> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------|---------------|-------------------|---------------|
| | July 28, 2013 | April 28, 2013 | July 29, 2012 | July 28, 2013 | July 29, 2012 |
| <u>Non-GAAP Adjusted Earnings Per Diluted Share</u> | | | | | |
| Reported earnings (loss) per diluted share (GAAP basis) | \$ 0.14 | \$ (0.11) | \$ 0.17 | \$ 0.06 | \$ 0.48 |
| Impairment of goodwill and intangible assets | - | 0.22 | - | 0.22 | - |
| Certain items associated with acquisitions | 0.03 | 0.04 | 0.04 | 0.10 | 0.15 |
| Acquisition integration and deal costs | - | 0.01 | 0.01 | 0.02 | 0.04 |
| Restructuring charges and asset impairments | 0.01 | - | 0.03 | 0.02 | 0.03 |

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Reinstatement of federal R&D tax credit and resolution of prior years' income tax filings | - | - | (0.01) | (0.02) | (0.01) |
| Non-GAAP adjusted earnings per diluted share | \$ 0.18 | \$ 0.16 | \$ 0.24 | \$ 0.40 | \$ 0.69 |
| Weighted average number of diluted shares | 1,220 | 1,217 | 1,268 | 1,218 | 1,292 |

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED RESULTS

| <i>(In millions, except percentages)</i> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|----------------|---------------|-------------------|---------------|
| | July 28, 2013 | April 28, 2013 | July 29, 2012 | July 28, 2013 | July 29, 2012 |
| <u>SSG Non-GAAP Adjusted Operating Income</u> | | | | | |
| Reported operating income (GAAP basis) | \$ 246 | \$ 283 | \$ 427 | \$ 663 | \$ 1,202 |
| Certain items associated with acquisitions ¹ | 42 | 45 | 47 | 131 | 208 |
| Acquisition integration and deal costs, net | (5) | 1 | 7 | (3) | 31 |
| Restructuring charges and asset impairments ^{4, 5} | - | - | 1 | 1 | 1 |
| Non-GAAP adjusted operating income | \$ 283 | \$ 329 | \$ 482 | \$ 792 | \$ 1,442 |
| Non-GAAP adjusted operating margin percent (% of net sales) | 22.2% | 25.5% | 31.2% | 22.4% | 30.9% |
| <u>AGS Non-GAAP Adjusted Operating Income</u> | | | | | |
| Reported operating income (GAAP basis) | \$ 114 | \$ 118 | \$ 122 | \$ 321 | \$ 338 |
| Certain items associated with acquisitions ¹ | 2 | 1 | 2 | 4 | 10 |
| Restructuring charges and asset impairments ^{3, 4, 5} | - | 1 | 11 | 2 | 11 |
| Non-GAAP adjusted operating income | \$ 116 | \$ 120 | \$ 135 | \$ 327 | \$ 359 |
| Non-GAAP adjusted operating margin percent (% of net sales) | 23.3% | 23.2% | 23.3% | 22.0% | 21.6% |
| <u>Display Non-GAAP Adjusted Operating Income</u> | | | | | |
| Reported operating income (GAAP basis) | \$ 33 | \$ 19 | \$ 10 | \$ 55 | \$ 23 |
| Certain items associated with acquisitions ¹ | 1 | 2 | 2 | 5 | 6 |
| Non-GAAP adjusted operating income | \$ 34 | \$ 21 | \$ 12 | \$ 60 | \$ 29 |
| Non-GAAP adjusted operating margin percent (% of net sales) | 21.1% | 16.5% | 8.5% | 16.0% | 7.6% |
| <u>EES Non-GAAP Adjusted Operating Loss</u> | | | | | |
| Reported operating loss (GAAP basis) | \$ (27) | \$ (322) | \$ (102) | \$ (403) | \$ (188) |
| Impairment of goodwill and intangible assets | - | 278 | - | 278 | - |
| Certain items associated with acquisitions ¹ | 2 | 5 | 6 | 14 | 18 |
| Restructuring charges and asset impairments ^{2, 3, 4, 5} | 10 | 5 | 32 | 18 | 32 |
| Non-GAAP adjusted operating loss | \$ (15) | \$ (34) | \$ (64) | \$ (93) | \$ (138) |
| Non-GAAP adjusted operating margin percent (% of net sales) | (33.3)% | (89.5)% | (83.1)% | (72.1)% | (38.0)% |

1 These items are incremental charges attributable to acquisitions, consisting of inventory fair value adjustments on products sold, and amortization of purchased intangible assets.

2 Results for the three months ended July 28, 2013 included restructuring and asset impairment charges of \$10 million related to the restructuring program announced on May 10, 2012.

3 Results for the three months ended April 28, 2013 included restructuring and asset impairment charges of \$6 million related to the restructuring program announced on May 10, 2012.

4 Results for the three and nine months ended July 29, 2012 included restructuring and asset impairment charges of \$35 million related to the restructuring program announced on May 10, 2012 and severance charges of \$9 million related to the integration of Varian.

5 Results for the nine months ended July 28, 2013 included restructuring and asset impairment charges of \$19 million related to the restructuring program announced on May 10, 2012 and severance charges of \$2 million related to the integration of Varian.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED OPERATING EXPENSES

| <i>(In millions)</i> | Three Months Ended | |
|--|--------------------|----------------|
| | July 28, 2013 | April 28, 2013 |
| Operating expenses (GAAP basis) | \$ 556 | \$ 876 |
| Restructuring charges and asset impairments | (14) | (10) |
| Certain items associated with acquisitions | (7) | (10) |
| Acquisition integration costs | (4) | (11) |
| Gain on sale of facility | 4 | - |
| Impairment of goodwill and intangible assets | - | (278) |
| Non-GAAP adjusted operating expenses | \$ 535 | \$ 567 |

UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP ADJUSTED EFFECTIVE INCOME TAX RATE

| <i>(In millions, except percentages)</i> | Three Months Ended |
|--|--------------------|
| | July 28, 2013 |

| | | |
|--|----|-----------|
| Provision for income taxes (GAAP basis) (a) | \$ | 60 |
| Resolutions of prior years' income tax filings | | 3 |
| Income tax effect of non-GAAP adjustments | | 7 |
| Non-GAAP adjusted provision for income taxes (b) | \$ | <u>70</u> |

| | | |
|--|----|------------|
| Income before income taxes (GAAP basis) (c) | \$ | 228 |
| Certain items associated with acquisitions | | 47 |
| Restructuring charges and asset impairments | | 14 |
| Acquisition integration costs | | 5 |
| Impairment of strategic investments | | 3 |
| Gain on sale of facility | | (4) |
| Non-GAAP adjusted income before income taxes (d) | \$ | <u>293</u> |

Effective income tax rate (GAAP basis) (a/c) 26.3%

Non-GAAP adjusted effective income tax rate (b/d) 23.9%

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