



Second Quarter 2011 Earnings Call Highlights

May 24, 2011

Applied's AKT®-Aristo™ Twin system for manufacturing touch-enabled displays is the only system that enables the simultaneous fabrication of two different film stacks—providing customers with unprecedented productivity and flexibility in the manufacturing of advanced touch panels



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, and business outlook. These statements 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 the level of demand for Applied's products, which is subject to many factors, including but not limited to uncertain global economic and industry conditions, business and consumer spending, demand for electronic products and semiconductors, government renewable energy policies and incentives, and customers' utilization rates and new technology and capacity requirements; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets, (ii) plan and manage its resources and production capability, (iii) execute its acquisition strategy and realize expected synergies, (iv) attract, motivate and retain key employees, and (v) accurately forecast future operating and financial results, which depends on multiple assumptions related to, without limitation, market conditions, customer requirements and business needs; and other risks described in Applied Materials' SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of May 24, 2011. Applied undertakes no obligation to update any forward-looking statements.

This presentation also contains non-GAAP financial measures, along with reconciliations to GAAP.

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- Q2 FY'11 financial summary (consolidated)
- Reporting segments
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- GAAP to non-GAAP reconciliations and reclassifications

Q2'11 Highlights

- Second quarter net sales exceeded guidance; EPS at high end of the range
- Q2 orders of \$3.2B were up 7% compared to the prior quarter
 - Display orders are up 80% compared to Q1
- Net sales of \$2.9B were up 7% compared to prior quarter
 - Better than target range of flat to up 5%
 - Stronger than expected results in AGS, Display and EES
- Strong solar equipment sales drive record EES revenue and operating profit performance
- Cash from Operations was \$704M or 25% of revenue
- Q2 EPS of \$0.37; non-GAAP EPS of \$0.38 at the high-end of the company's outlook

Q2'11 Income Statement Summary (consolidated)

- **New orders:** \$3.19 billion – up 7% from Q1'11
- **Backlog:** \$3.88 billion – up 10% from Q1'11
- **Net sales:** \$2.86 billion – up 7% from Q1'11
- **Gross margin:** 41.5% – down 0.8 points from Q1'11
 - Excluding acquisition costs Q2'11 gross margin would have been 41.9%*
- **Operating expenses:** \$512M – up 11% from Q1'11
 - Q2'11 non-GAAP = \$513M (excludes \$3M in acquisition costs and a net credit of \$4M in restructuring and asset impairment charges)
 - Q1'11 non-GAAP = \$516M (excludes \$4M in acquisition costs and a credit of \$29M in restructuring and asset impairment charges and a loss on facility sale of \$1M)
- **Operating income/margin:** \$677M or 23.6% of net sales
 - Compared to \$674M or 25.1% of net sales in Q1'11
- **Tax rate:** 28.8% – up from 25.5% in Q1'11
 - Due to full application of the retroactive R&D tax credit in Q1, intangible asset impairment charge and higher revenue mix outside of Singapore tax structure
- **GAAP net income** of \$489M or \$0.37 per diluted share
- **Non-GAAP net income** of \$501M or \$0.38 per diluted share**

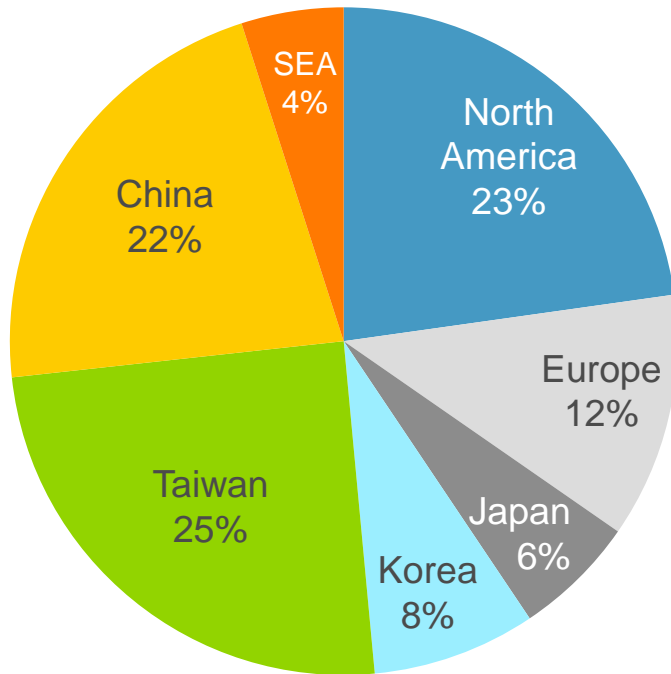
* See slide 22 for reconciliation of GAAP to non-GAAP measures

** See slide 19 for reconciliation of GAAP to non-GAAP measures

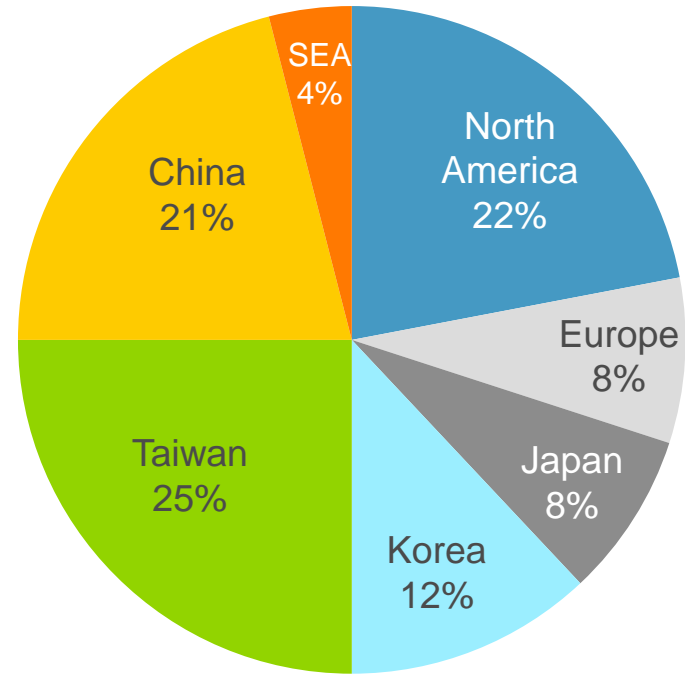
Summary Income Statement (consolidated)

Unaudited \$ Amounts in Millions Except EPS	Q2'11	Q1'11	Q2'10
New Orders	\$3,185	\$2,971	\$2,533
Net Sales	\$2,862	\$2,686	\$2,296
Gross Margin	41.5%	42.3%	40.4%
RD&E	10.4%	10.0%	13.3%
SG&A	7.6%	8.2%	9.9%
Operating Margin	23.6%	25.1%	16.8%
Net Income	\$489	\$506	\$264
Net Income %	17.1%	18.9%	11.5%
EPS	\$0.37	\$0.38	\$0.20

New Orders Regional Distribution (consolidated)

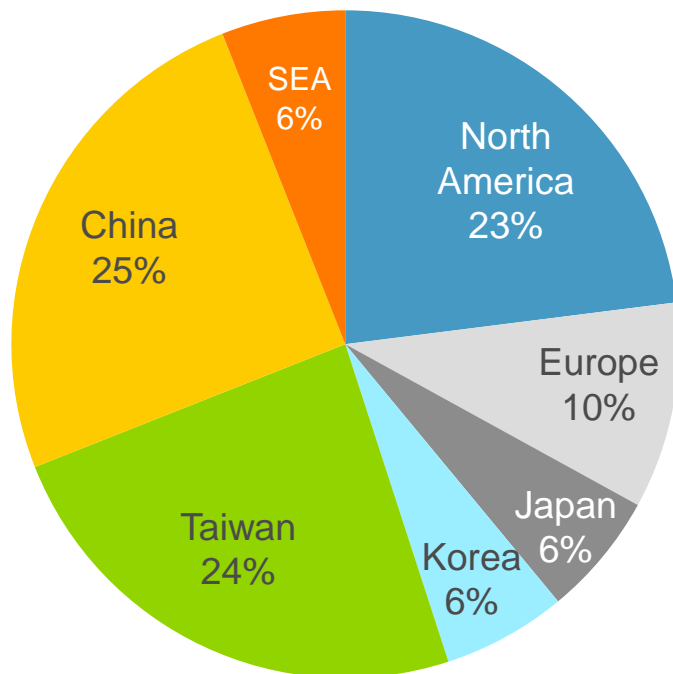


Q1 FY'11
\$2.97 Billion

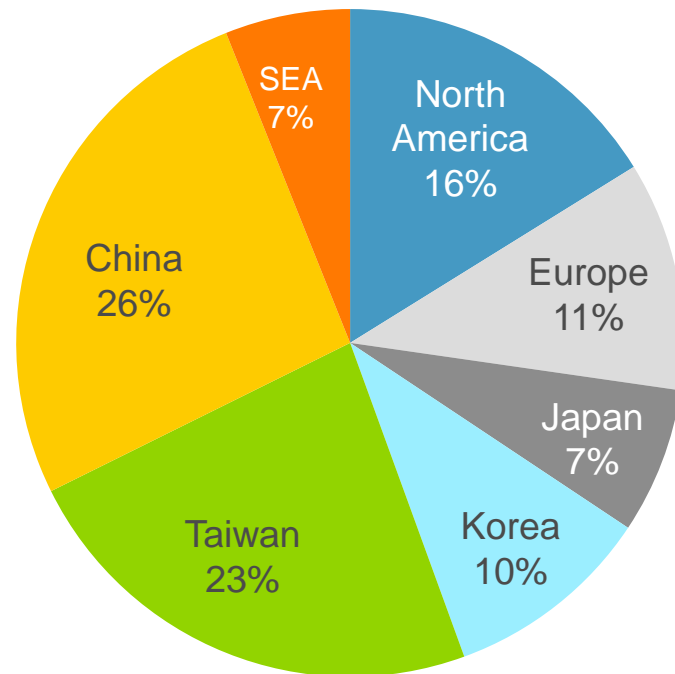


Q2 FY'11
\$3.19 Billion

Net Sales Regional Distribution (consolidated)



Q1 FY'11
\$2.69 Billion



Q2 FY'11
\$2.86 Billion

Q2'11 Balance Sheet Summary (consolidated)

- **Cash/cash equivalents and investments** increased \$480M to \$4.6B
- **Operating cash flow:** \$704M or 25% of revenue
- **Free cash flow*:** \$646M or 23% of revenue
- **Inventory:** \$1.79B – up \$147 million from Q1'11
- **DSO**:** 61 days, compared to 66 days in Q1'11
- **Capital spending:** \$57M
- **Depreciation and amortization:** \$65M
- **Cash returned to stockholders**
 - \$93M paid in dividends
 - \$118M in stock repurchases
 - Declared quarterly cash dividend of \$0.08 per share, payable on June 22, 2011 to stockholders of record as of June 1, 2011
- **Headcount:** ~13,100 regular employees (excluding temporary and interns)

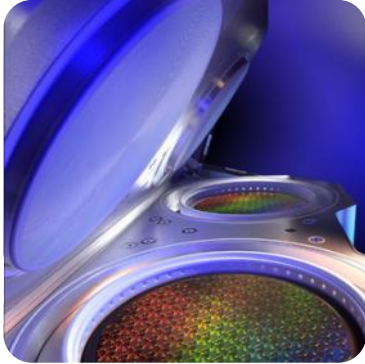
* Defined as cash provided by operating activities less capital expenditures.
See slide 20 for reconciliation of GAAP to non-GAAP measures

** Days Sales Outstanding

Summary Balance Sheet

Unaudited \$ Amounts in Millions except EPS	Q2'11	Q1'11	Q2'10
Cash, Cash Equivalents & Investments	\$4,577	\$4,097	\$3,565
Accounts Receivables, Net	\$1,916	\$1,946	\$1,438
Inventories	\$1,794	\$1,647	\$1,690
Property, Plant & Equip., Net	\$898	\$893	\$1,084
Total Assets	\$11,957	\$11,274	\$10,450
Long-term Debt	\$204	\$204	\$205
Total Stockholders' Equity	\$8,182	\$7,839	\$7,321
Current Ratio	2.4	2.5	2.4
Total Debt / Capital Ratio	2.4%	2.5%	2.7%

Reporting Segments



SILICON SYSTEMS GROUP

Designs, manufactures and sells equipment used to fabricate semiconductor chips



APPLIED GLOBAL SERVICES

Broad range of products* to maintain, service and optimize customers' semiconductor, display and solar fabs



DISPLAY

Designs, manufactures and sells equipment used to make flat panel displays

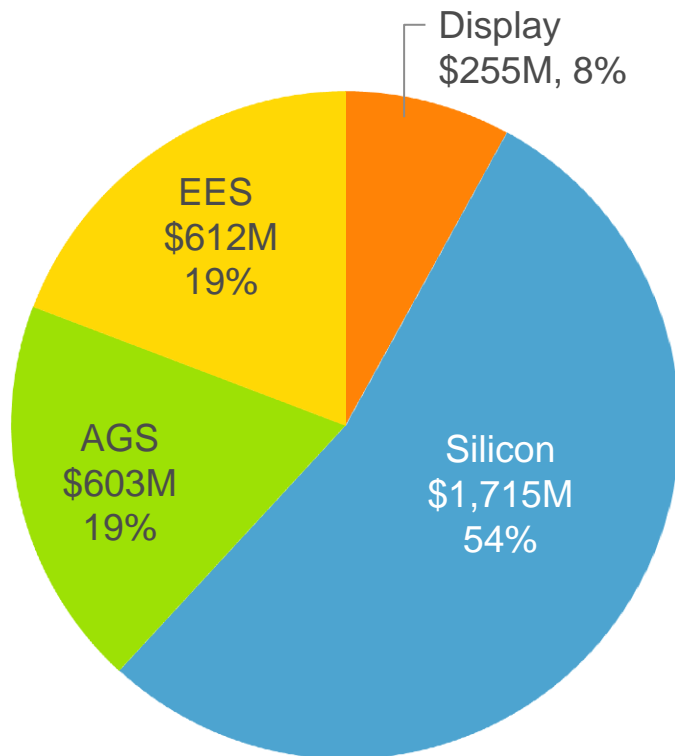


ENERGY & ENVIRONMENTAL SOLUTIONS

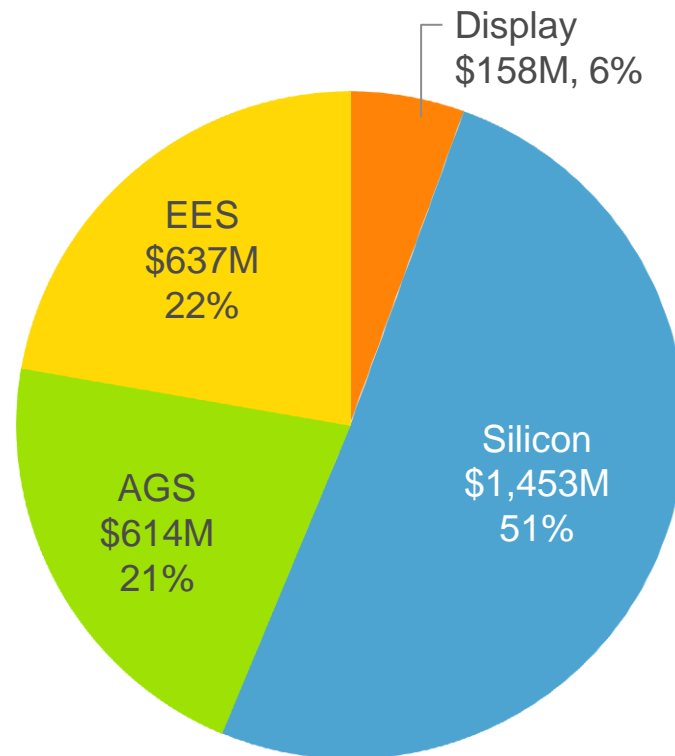
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

* Include total parts management, spare parts, remanufactured equipment, maintenance agreements, total support programs and environmental and software solutions

Q2'11 New Order & Net Sales by Segment

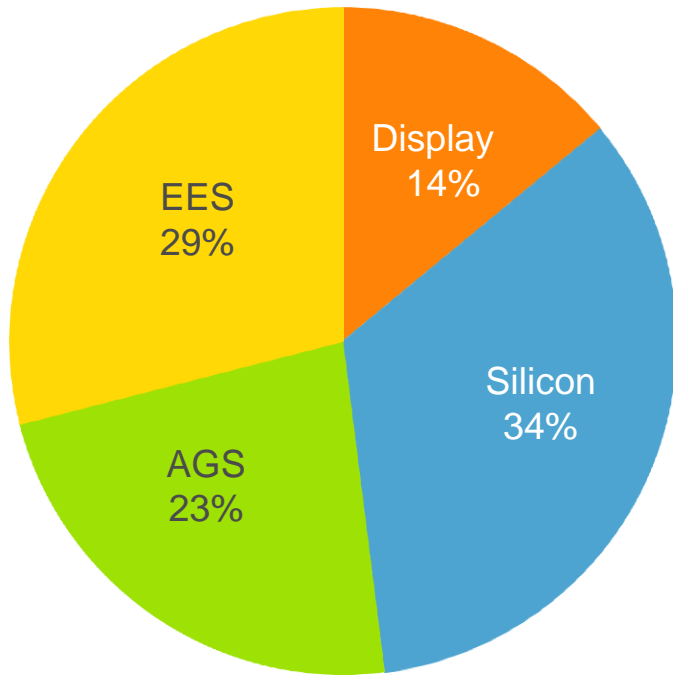


New Orders
\$3.19 Billion

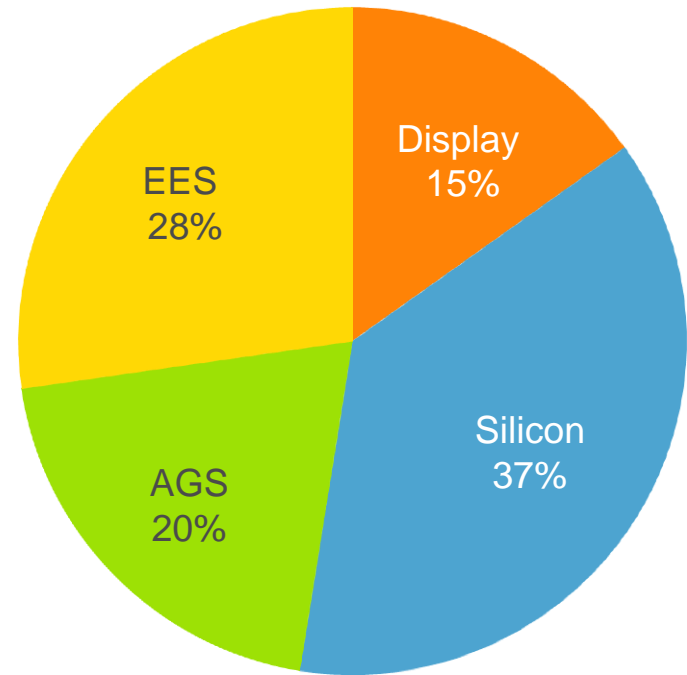


Net Sales
\$2.86 Billion

Backlog by Segment



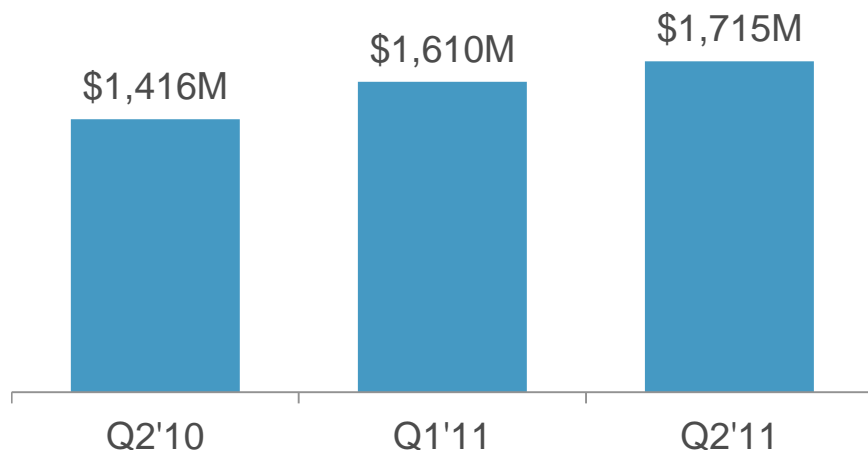
Q1 FY'11
\$3.54 Billion



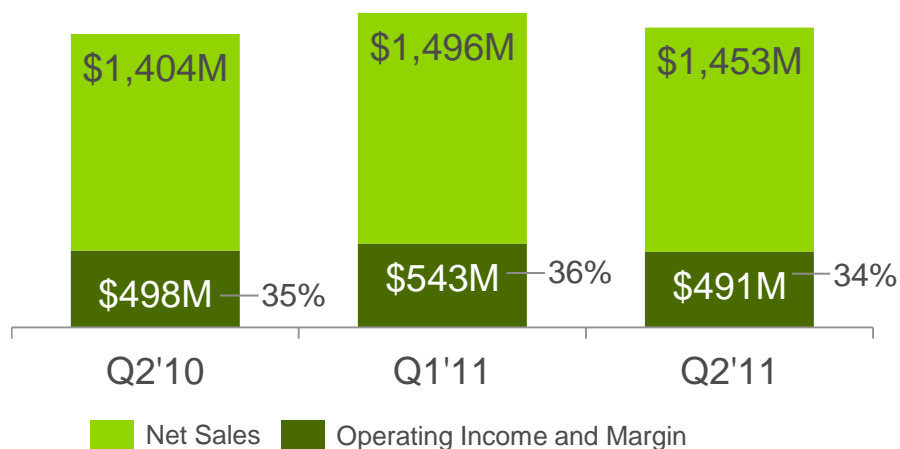
Q2 FY'11
\$3.88 Billion

Silicon Systems Group Segment

New Orders



Net Sales & Operating Income



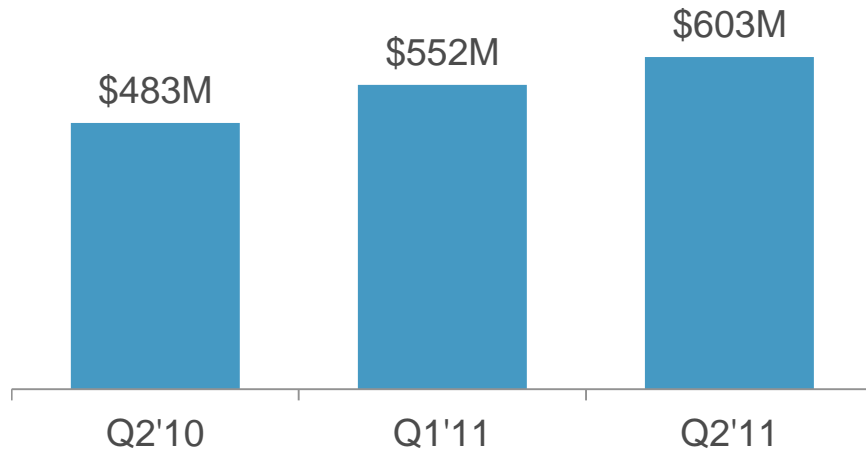
- Orders up 7% QoQ
 - Driven by Flash/Foundry customers
 - Flash orders up 61% QoQ
- Net sales down 3% QoQ
 - Primarily due to delivery timing changes from Memory and Foundry customers
- Operating income of \$491M or 34% of net sales
 - Operating margin down due to increased R&D and from higher field resources

Q2'11 ORDERS BY CUSTOMER SEGMENT

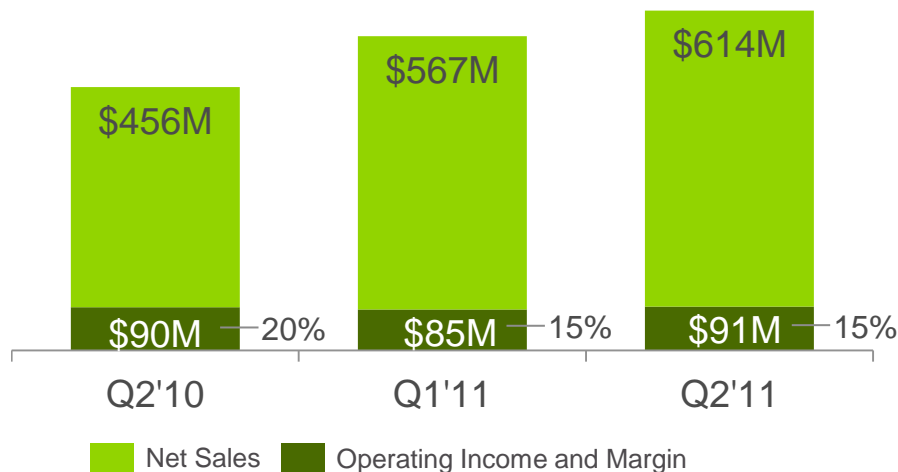
Foundry	DRAM	Flash	Logic & Others
47%	12%	16%	25%

Applied Global Services Segment

New Orders



Net Sales & Operating Income

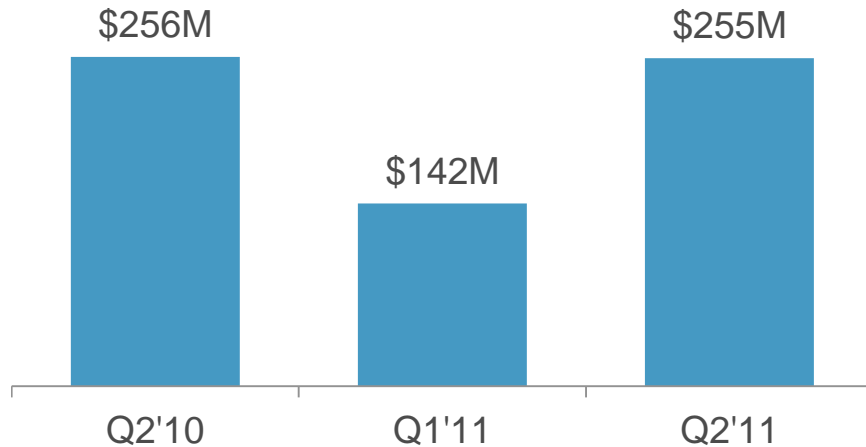


- Orders up 9% QoQ
- Net sales up 8% QoQ
 - Exceeding expectations
 - Led by higher 200mm shipments
- Operating income of \$91M or 15% of net sales
 - Includes \$24 million in intangible asset impairment charges
 - Non-GAAP operating margin of 19% reflecting improvements in 200mm business*

* See slide 25 for reconciliation of GAAP to non-GAAP measures

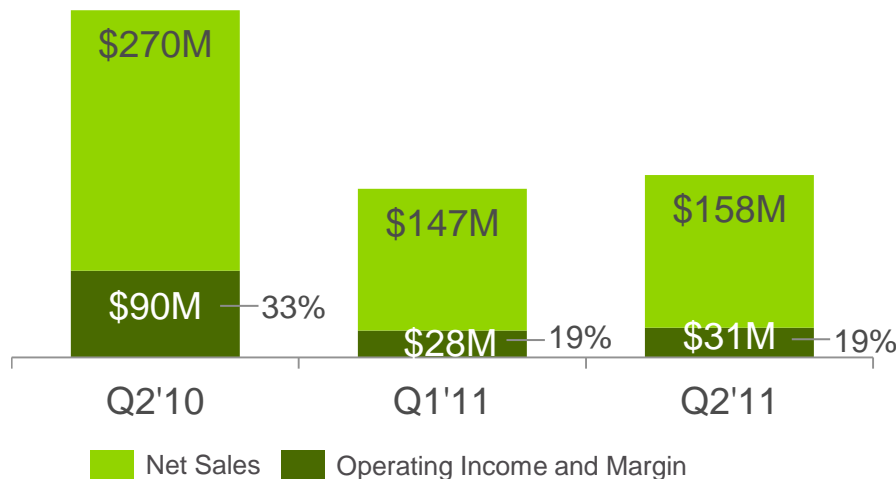
Display Segment

New Orders

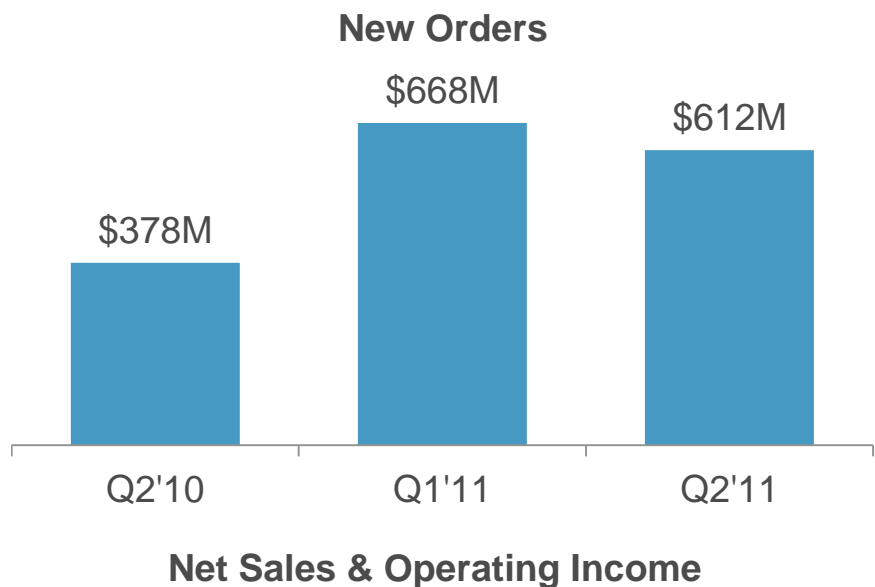


- Orders up 80% QoQ
 - 70% of total orders from new LTPS and Touch applications
- Net sales up 7% QoQ
 - Over half the sales occurring in China
- Operating income of \$31M or 19% of net sales

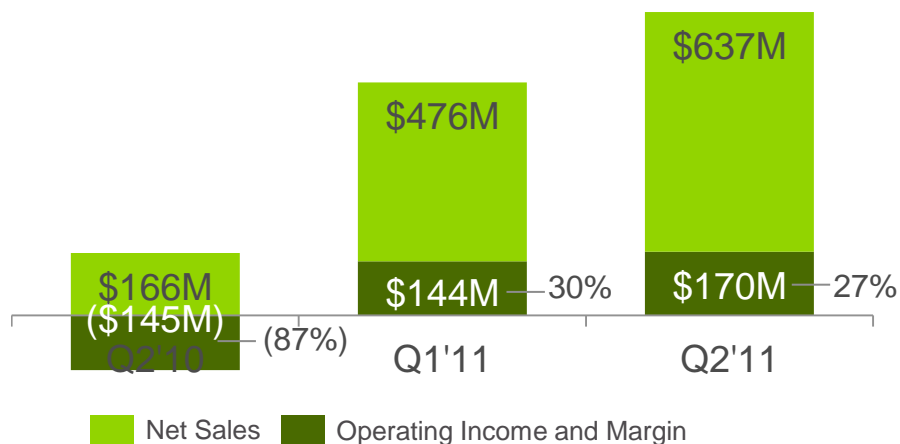
Net Sales & Operating Income



Energy & Environmental Solutions Segment



- Orders down 8% QoQ
- Net sales up 34% QoQ
 - Exceeded expectations with record revenue levels
- Operating profit of \$170M or 27% of net sales
 - Non-GAAP operating margin was 26%*



* See slide 26 for reconciliation of GAAP to non-GAAP measures

Q3'11 Expectations

(As of May 24, 2011)

Net Sales	Down 3-10% from Q2'11
Non-GAAP EPS*	\$0.31 to \$0.37

* Excludes known charges related to completed acquisitions of approximately \$0.01 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q2'11 earnings release.

* See slide 27 for non-GAAP EPS reconciliation

Reconciliation of GAAP to Non-GAAP Results

	Three Months Ended			Six Months Ended	
	May 1, 2011	January 30, 2011	May 2, 2010	May 1, 2011	May 2, 2010
<i>(In millions, except per share amounts)</i>					
Non-GAAP Operating Income					
Reported operating income (GAAP basis)	\$ 677	\$ 674	\$ 386	\$ 1,351	\$ 502
Certain items associated with acquisitions ¹	12	13	30	25	56
Semitool deal cost	–	–	–	–	10
Restructuring charges and asset impairments ^{2,3,4,5,6}	(4)	(29)	9	(33)	113
Loss on sale of facility	–	1	–	1	–
Non-GAAP operating income	\$ 685	\$ 659	\$ 425	\$ 1,344	\$ 681
Non-GAAP Net Income					
Reported net income (GAAP basis)	\$ 489	\$ 506	\$ 264	\$ 995	\$ 347
Certain items associated with acquisitions ¹	12	13	30	25	56
Semitool deal cost	–	–	–	–	10
Restructuring charges and asset impairments ^{2,3,4,5,6}	(4)	(29)	9	(33)	113
Impairment of strategic investments	–	–	4	–	5
Loss on sale of facility	–	1	–	1	–
Reinstatement of federal R&D tax credit	–	(13)	–	(13)	–
Income tax effect of non-GAAP adjustments	4	6	(15)	10	(59)
Non-GAAP net income	\$ 501	\$ 484	\$ 292	\$ 985	\$ 471
Non-GAAP Net Income Per Diluted Share					
Reported net income per diluted share (GAAP basis)	\$ 0.37	\$ 0.38	\$ 0.20	\$ 0.75	\$ 0.26
Certain items associated with acquisitions	0.01	0.01	0.02	0.01	0.03
Semitool deal cost	–	–	–	–	0.01
Restructuring charges and asset impairments	–	(0.01)	–	(0.01)	0.05
Impairment of strategic investments	–	–	–	–	–
Loss on sale of facility	–	–	–	–	–
Reinstatement of federal R&D tax credit	–	(0.01)	–	(0.01)	–
Non-GAAP net income – per diluted share	\$ 0.38	\$ 0.36	\$ 0.22	\$ 0.74	\$ 0.35
Shares used in diluted shares calculation	1,333	1,335	1,352	1,333	1,351

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 May 1, 2011 included asset impairment charges of \$24 million related to certain intangible assets, offset by favorable adjustments of \$8 million related to a restructuring program announced on July 21, 2010, \$19 million related to a restructuring program announced on November 11, 2009, and \$1 million related to a restructuring program announced on November 12, 2008.

3 Results for the three months ended January 30, 2011 included asset impairment charges of \$3 million related to a facility held-for-sale, offset by favorable adjustments of \$28 million related to a restructuring program announced on July 21, 2010, and \$4 million related to a restructuring program announced on November 12, 2008.

4 Results for the three and six months ended May 2, 2010 included asset impairment charges of \$9 million related to a facility held for sale.

5 Results for the six months ended May 1, 2011 included asset impairment charges of \$27 million primarily related to certain intangible assets, offset by favorable adjustments of \$36 million related to a restructuring program announced on July 21, 2010, \$19 million related to a restructuring program announced on November 11, 2009, and \$5 million related to a restructuring program announced on November 12, 2008.

6 Results for the six months ended May 2, 2010 included restructuring charges of \$104 million related to a restructuring program announced on November 11, 2009.

Reconciliation of GAAP to Non-GAAP Measures – Free Cash Flow

(Dollars in Millions) Free Cash Flow	Three months ended May 1, 2011
Cash from Operations	\$704
Capital Expenditures	\$(57)
Free cash flow	\$646
Revenue	\$2,862
Free cash flow margin	23%

Detail of Certain Items Associated with Acquisitions*

	Three Months Ended		
	May 1, 2011	January 30, 2011	May 2, 2010
Certain items associated with acquisitions		(in millions)	
Cost of products sold	\$ 9	\$ 9	\$ 25
Marketing and selling	3	4	5
Total	\$ 12	\$ 13	\$ 30

* Details to amounts shown on slide 19 for certain items associated with acquisitions

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three Months Ended	
	<u>May 1, 2011</u>	<u>January 30, 2011</u>
	(in millions)	
Net sales (GAAP basis)	<u>\$ 2,862</u>	<u>\$ 2,686</u>
Reported gross profit (GAAP basis)	\$ 1,189	\$ 1,136
Certain items associated with acquisitions	9	9
Non-GAAP gross profit	<u>\$ 1,198</u>	<u>\$ 1,145</u>
Non-GAAP gross margin (% of net sales)	41.9%	42.6%

Reconciliation of GAAP to Non-GAAP Operating Expenses

	Three Months Ended	
	<u>May 1, 2011</u>	<u>July 31, 2011</u>
	Reported	Forecasted
	(in millions)	
Reported and forecasted operating expenses (GAAP basis)	\$ 512	\$523 - \$543
Certain items associated with acquisitions	(3)	(3)
Restructuring and asset impairments	4	-
Non-GAAP operating expenses	<u>\$ 513</u>	<u>\$520 - \$540</u>

The forecast does not take into account other non-GAAP adjustments that may arise subsequent to Q2'11 earnings release

Reconciliation of GAAP to Non-GAAP Tax Rate

	Three Months Ended	
	May 1, 2011	
	(in millions)	
Reported income before income taxes (GAAP basis)	\$	686
Certain items associated with acquisitions	\$	12
Restructuring and asset impairments	\$	(4)
Non-GAAP income before income taxes	\$	694
Reported income tax provision (GAAP basis)	\$	197
Income tax on certain items associated with acquisitions	\$	4
Income tax on restructuring and asset impairments	\$	(8)
Non-GAAP income tax provision	\$	194
Non-GAAP effective tax rate		27.9%

Reconciliation of GAAP to Non-GAAP AGS Operating Margin

Three Months Ended
May 1, 2011

(in millions)

Net sales (GAAP basis)	\$	614
Operating income (GAAP basis)	\$	91
Certain items associated with acquisitions	\$	2
Asset impairment		24
Non-GAAP operating income	\$	117

GAAP operating margin (% of net sales) 14.8%

Non-GAAP operating margin (% of net sales) 19.1%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

Three Months Ended
May 1, 2011

(in millions)

Net sales (GAAP basis)	\$ 637
Operating income (GAAP basis)	\$ 170
Certain items associated with acquisitions	\$ 6
Restructuring	(8)
Non-GAAP operating income	\$ 168

GAAP operating margin (% of net sales) 26.7%

Non-GAAP operating margin (% of net sales) 26.4%

Reconciliation of Forecasted Non-GAAP EPS

	Three Months Ended July 31, 2011
Forecasted EPS (GAAP basis)	<u>Forecasted</u> \$0.30 - \$0.36
Known charges related to completed acquisitions	<u>\$0.01</u>
Forecasted non-GAAP EPS three months ended July 31, 2011	<u><u>\$0.31 - \$0.37</u></u>

The forecast does not exclude other adjustments that may arise subsequent to Q2'11 earnings release



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