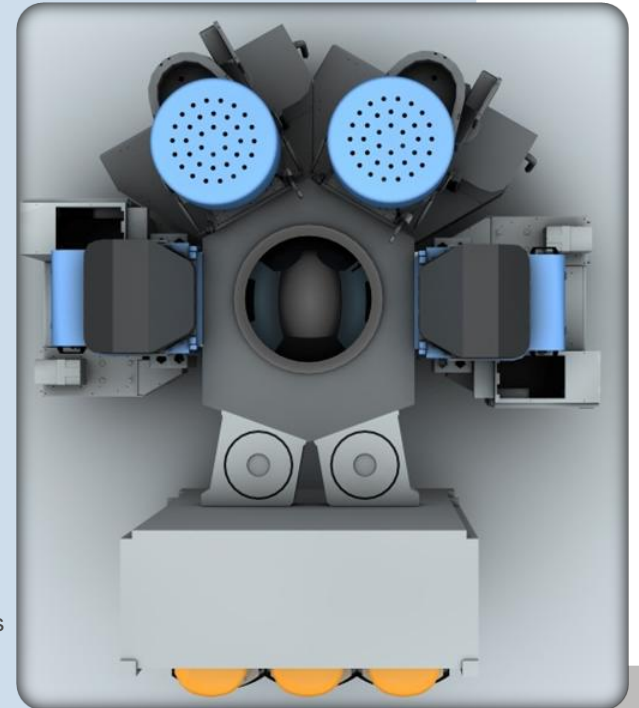




Third Quarter 2011 Earnings Call Highlights

August 24, 2011

The Centura® Integrated Gate Stack system with atomic layer deposition high-k chamber technology delivers a complete process sequence in a controlled high-vacuum environment without air exposure.



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, 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 August 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.

Contents

- Q3 FY'11 highlights
- Q3 FY'11 financial summary (consolidated)
- Reporting segments
- Q4 FY'11 expectations
- GAAP to non-GAAP reconciliations and reclassifications

Q3'11 Highlights

- Third quarter net sales and EPS at upper end of the guidance range
- Q3 orders of \$2.4B were down 25% compared to the prior quarter
 - EES orders were down 48% and SSG orders were down 28% compared to Q2
- Net sales of \$2.8B were down 3% compared to the prior quarter
 - Upper end of target range due to higher than expected revenue in Display and EES
- Cash from Operations was \$599M or 21% of revenue
- Q3 EPS of \$0.36; non-GAAP EPS of \$0.35*

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

Q3'11 Income Statement Summary (consolidated)

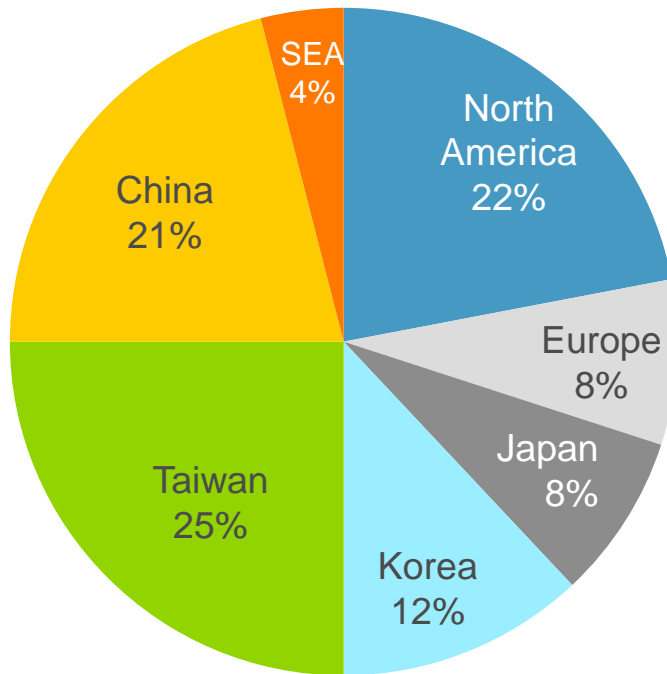
- **New orders:** \$2.39 billion – down 25% from Q2'11
- **Backlog:** \$3.24 billion – down 16% from Q2'11
- **Net sales:** \$2.79 billion – down 3% from Q2'11
- **Gross margin:** 42.5% – up 1 percentage point from Q2'11
- **Operating expenses:** \$497M – down 3% from Q2'11
 - Q3'11 non-GAAP = \$510M (excludes \$9M in costs related to Varian deal, \$3M in acquisition costs and \$3M in restructuring and asset impairment charges offset by gain on sale of facility of \$28M)
 - Q2'11 non-GAAP = \$513M (excludes \$3M in acquisition costs and a net credit of \$4M in restructuring and asset impairment charges)
- **Operating income/margin:** \$687M or 24.6% of net sales
 - Compared to \$677M or 23.6% of net sales in Q2'11
- **Tax rate:** 28.8% – essentially same as in Q2'11
- **GAAP net income** of \$476M or \$0.36 per diluted share
- **Non-GAAP net income** of \$467M or \$0.35 per diluted share*

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

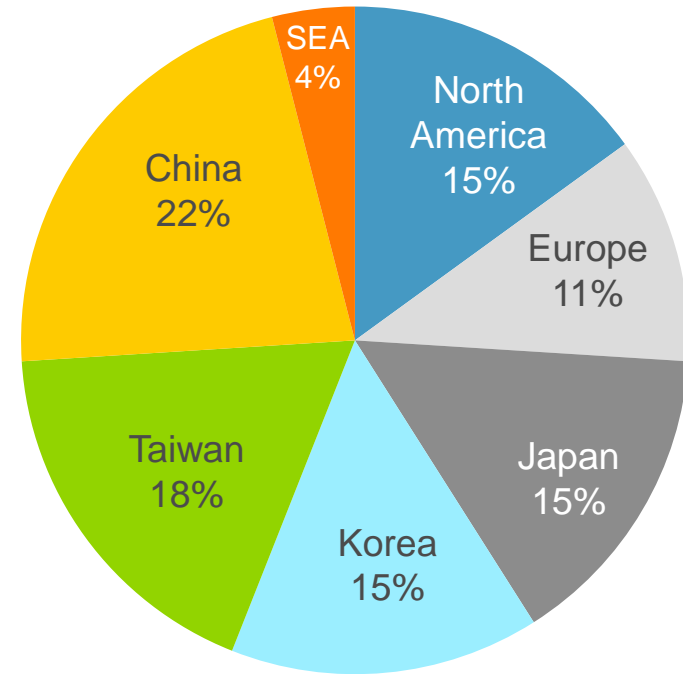
Summary Income Statement (consolidated)

Unaudited \$ Amounts in Millions Except EPS	Q3'11	Q2'11	Q3'10
New Orders	\$2,390	\$3,185	\$2,725
Net Sales	\$2,787	\$2,862	\$2,518
Gross Margin	42.5%	41.5%	34.2%
RD&E	10.1%	10.4%	11.5%
SG&A	8.6%	7.6%	10.0%
Operating Margin	24.6%	23.6%	7.3%
Net Income	\$476	\$489	\$123
Net Income %	17.1%	17.1%	4.9%
EPS	\$0.36	\$0.37	\$0.09

New Orders Regional Distribution (consolidated)

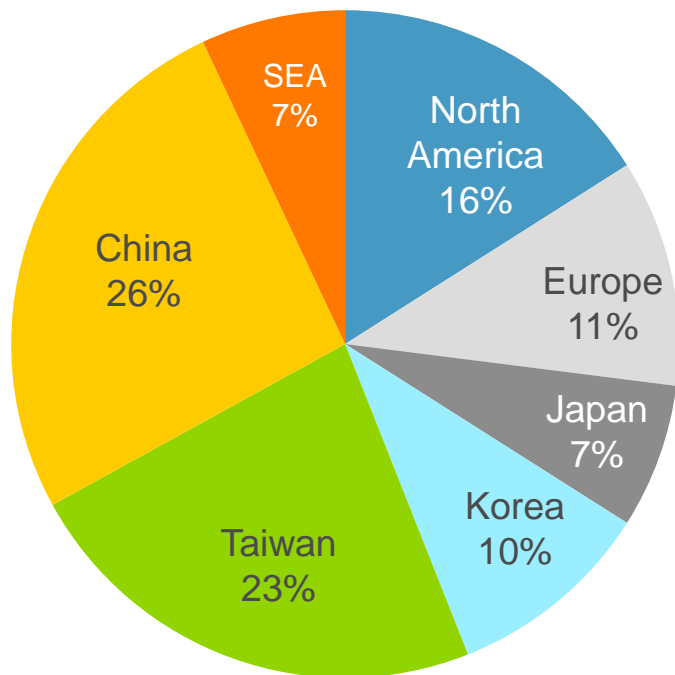


Q2 FY'11
\$3.19 Billion

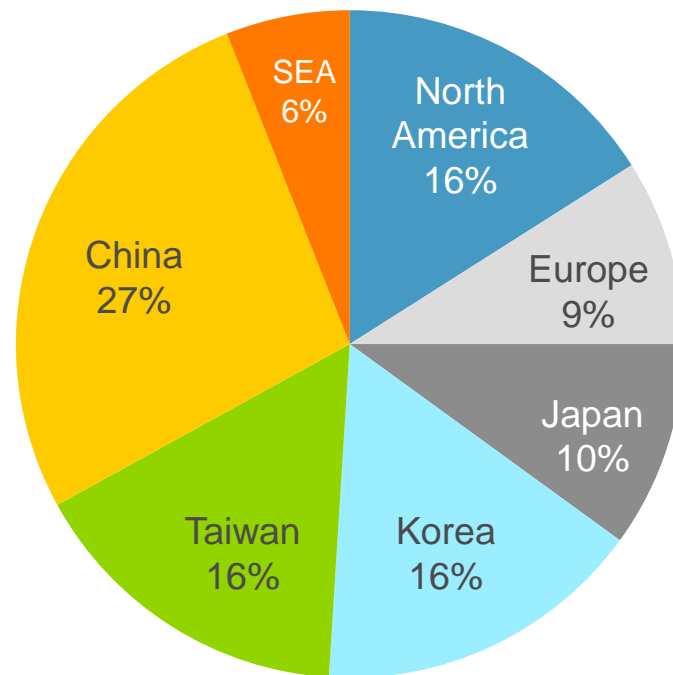


Q3 FY'11
\$2.39 Billion

Net Sales Regional Distribution (consolidated)



Q2 FY'11
\$2.86 Billion



Q3 FY'11
\$2.79 Billion

Q3'11 Balance Sheet Summary (consolidated)

- **Cash/cash equivalents and investments** increased \$2.2B to \$6.8B*
- **Operating cash flow:** \$599M or 21% of revenue
- **Free cash flow**:** \$544M or 20% of revenue
- **Inventory:** \$1.85B – up \$54 million from Q2'11
- **DSO***:** 59 days, compared to 61 days in Q2'11
- **Capital spending:** \$55M
- **Depreciation and amortization:** \$59M
- **Cash returned to stockholders**
 - \$105M paid in dividends
 - \$25M in stock repurchases
 - Declared quarterly cash dividend of \$0.08 per share, payable on September 21, 2011 to stockholders of record as of August 31, 2011
- **Headcount:** ~12,700 regular employees (excluding temporary and interns)

* Included proceeds from the \$1.75 billion of notes issued during the quarter

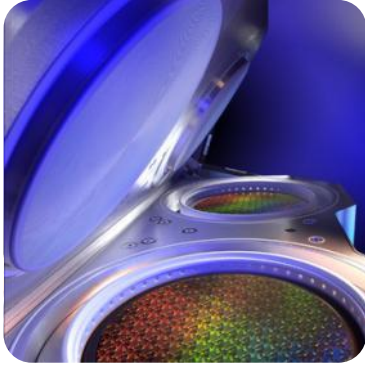
** Defined as cash provided by operating activities less capital expenditures. See slide 20 for reconciliation of GAAP to non-GAAP measures

*** Days Sales Outstanding

Summary Balance Sheet

Unaudited \$ Amounts in Millions except EPS	Q3'11	Q2'11	Q3'10
Cash, Cash Equivalents & Investments	\$6,809	\$4,577	\$3,628
Accounts Receivables, Net	\$1,812	\$1,916	\$1,721
Inventories	\$1,849	\$1,794	\$1,590
Property, Plant & Equip., Net	\$854	\$898	\$984
Total Assets	\$14,103	\$11,957	\$10,726
Long-term Debt	\$1,947	\$204	\$204
Total Stockholders' Equity	\$8,551	\$8,182	\$7,278
Current Ratio	3.1	2.4	2.3
Total Debt / Capital Ratio	18.5%	2.4%	2.8%

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

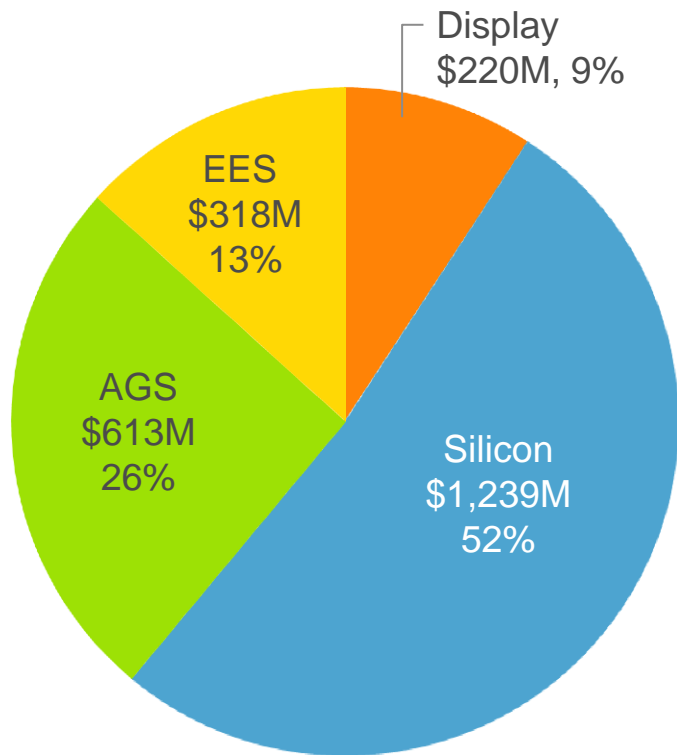


ENERGY & ENVIRONMENTAL SOLUTIONS

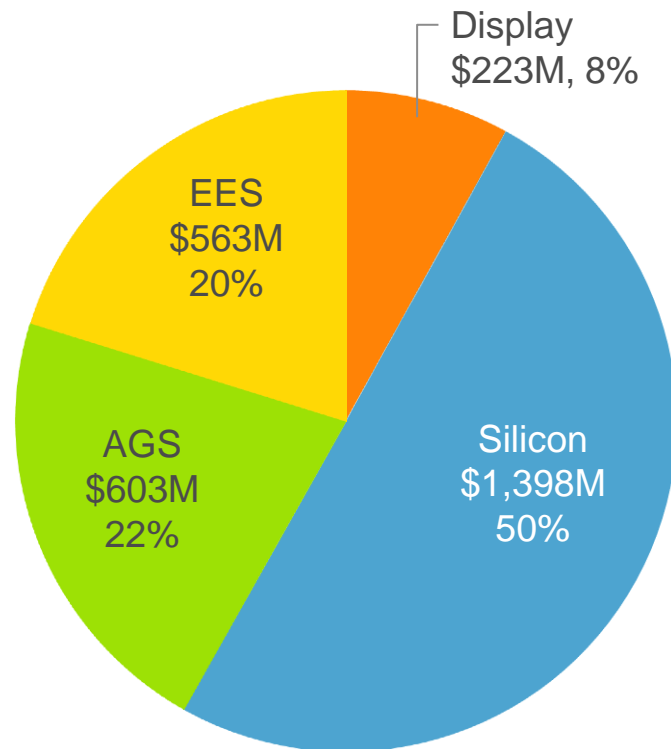
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q3'11 New Orders & Net Sales by Segment

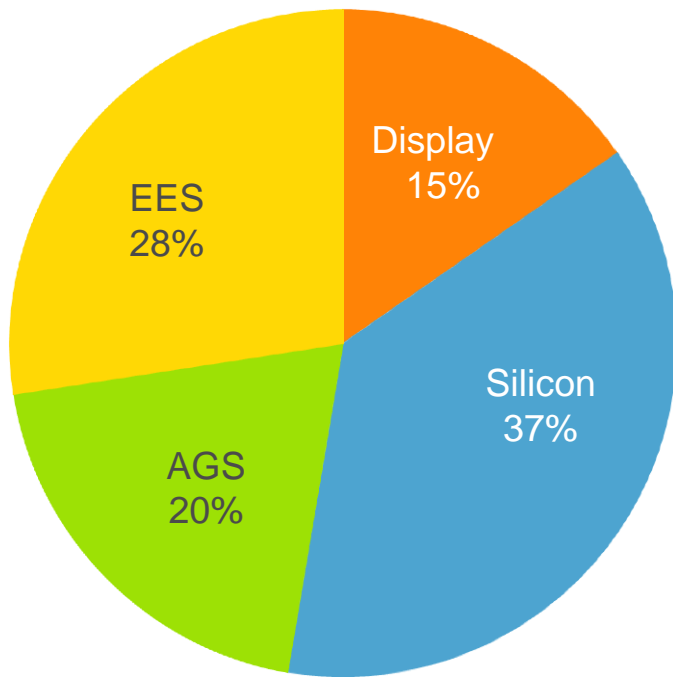


New Orders
\$2.39 Billion

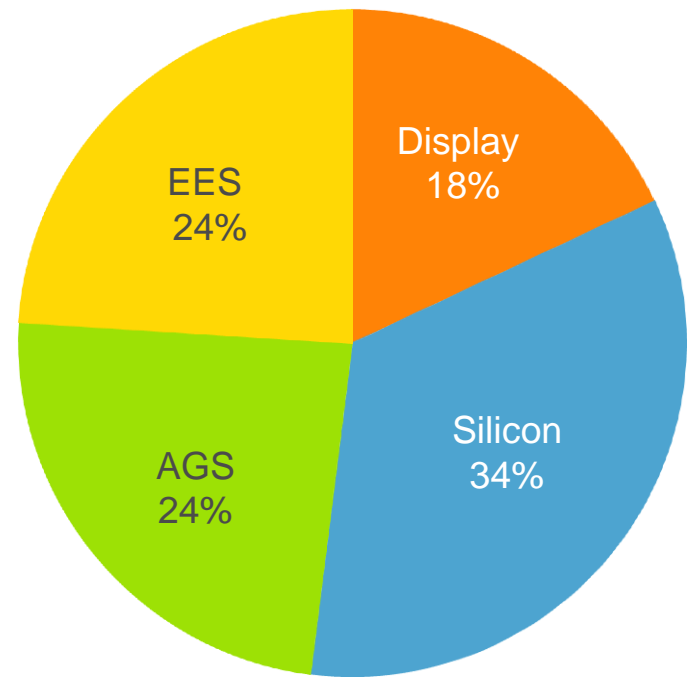


Net Sales
\$2.79 Billion

Backlog by Segment

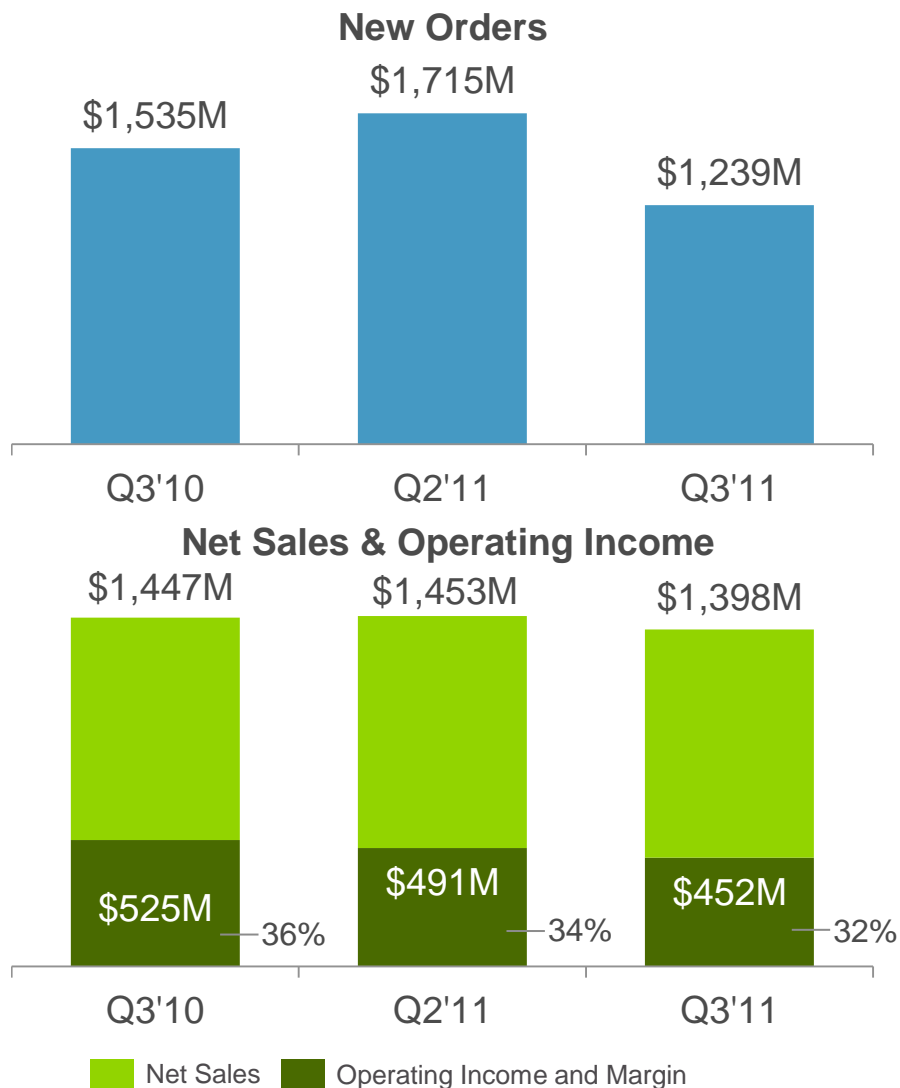


Q2 FY'11
\$3.88 Billion



Q3 FY'11
\$3.24 Billion

Silicon Systems Group Segment

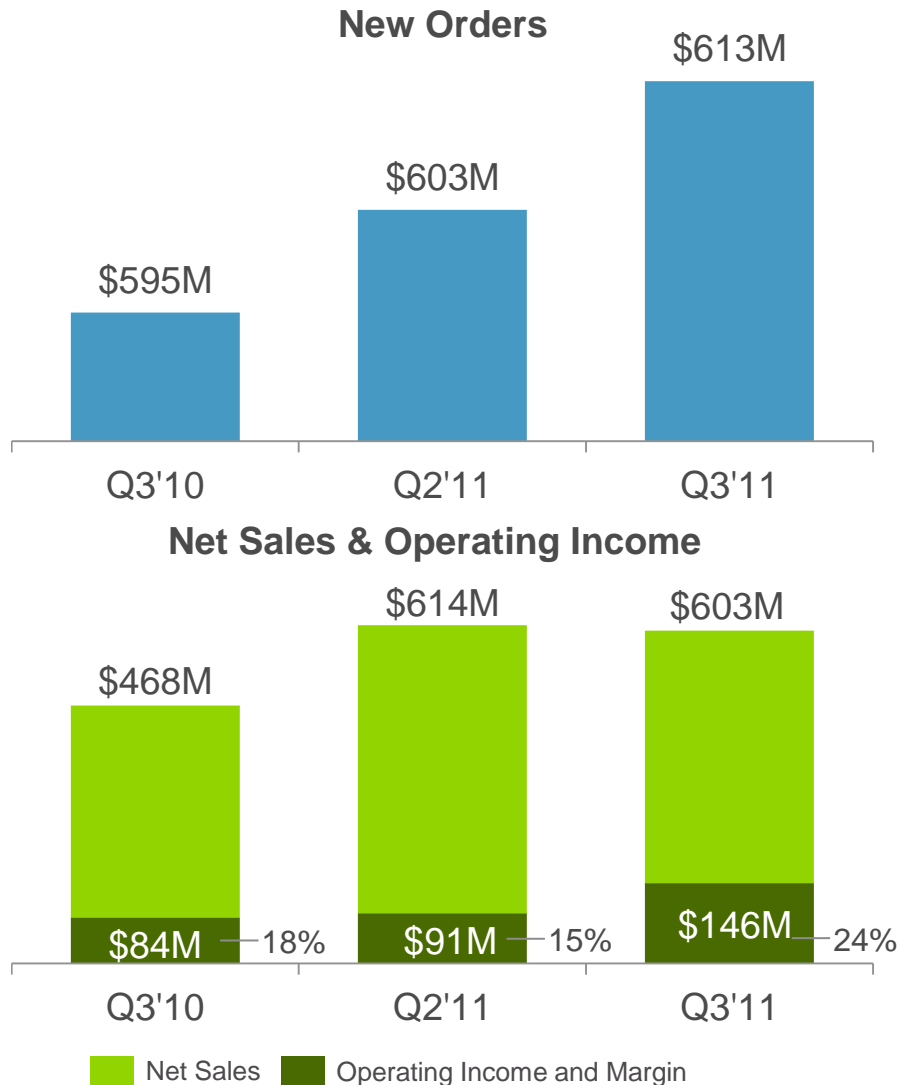


- Orders down 28% QoQ
 - Primarily due to weakness in Foundry
- Net sales down 4% QoQ
 - In line with guidance
- Operating income of \$452M or 32% of net sales
 - Operating margin down ~ 1.5 percentage point sequentially reflecting lower revenues

Q3'11 ORDERS BY CUSTOMER SEGMENT

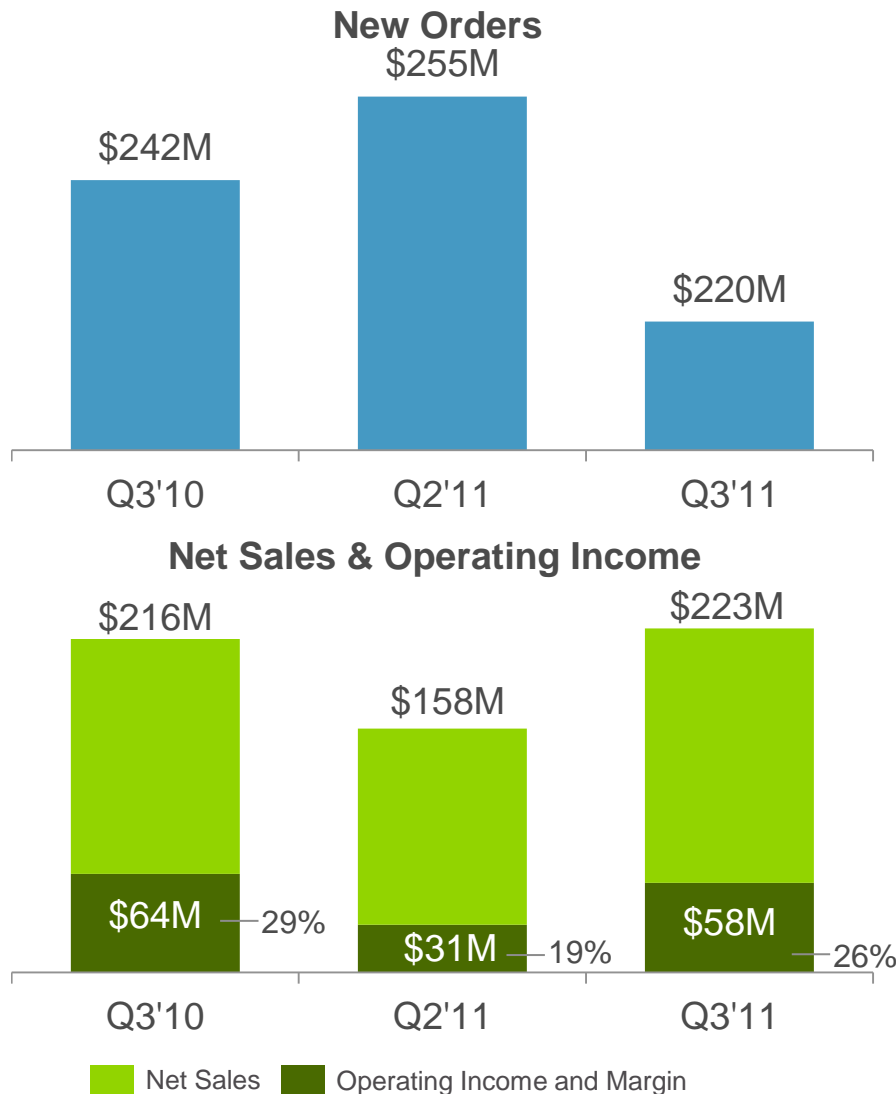
Foundry	DRAM	Flash	Logic & Others
37%	15%	23%	25%

Applied Global Services Segment



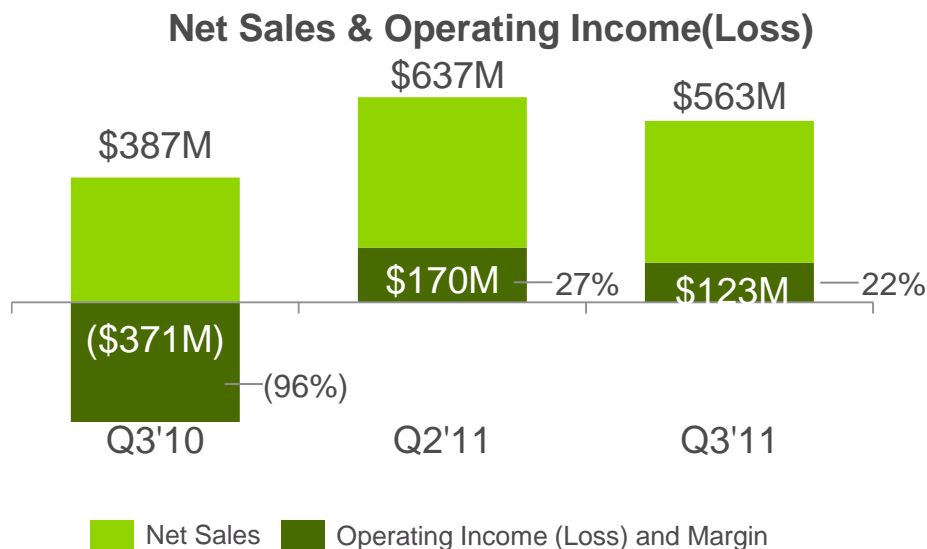
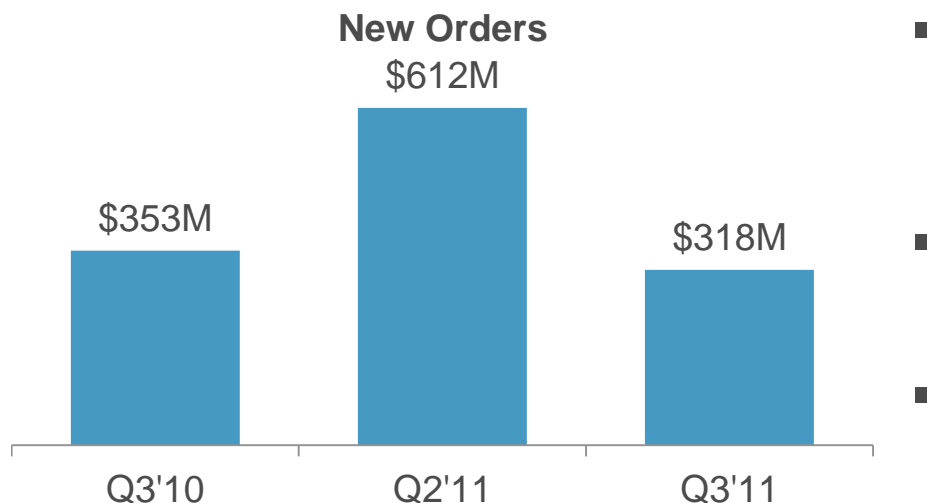
- Orders up 2% QoQ
- Net sales down 2% QoQ
 - In line with expectations
- Operating income of \$146M or 24% of net sales
 - 9 percentage points sequential increase primarily driven by improvement initiatives in 200mm equipment business along with an increase in service sales from Japan

Display Segment



- Orders down 14% QoQ
 - Primarily due to reduced demand from LCD TV customers
- Net sales up 41% QoQ
 - Above previous expectations
- Operating income of \$58M or 26% of net sales
 - 7 percentage points sequential improvement mainly due to higher revenues

Energy & Environmental Solutions Segment



- Orders down 48% QoQ
 - Primarily due to customers digesting capacity additions
- Net sales down 12% QoQ
 - Better than expectations
- Operating profit of \$123M or 22% of net sales
 - 5 percentage points sequential decline reflecting revenue and mix effects

Q4'11 Expectations

(As of August 24, 2011)

Net Sales	Down 15-30% from Q3'11
Non-GAAP EPS*	\$0.16 to \$0.24

* 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 Q3'11 earnings release.

* See slide 27 for non-GAAP EPS reconciliation

Reconciliation of GAAP to Non-GAAP Results

	Three Months Ended			Nine Months Ended	
	July 31, 2011	May 1, 2011	August 1, 2010	July 31, 2011	August 1, 2010
<i>(In millions, except per share amounts)</i>					
<u>Non-GAAP Operating Income</u>					
Reported operating income (GAAP basis)	\$ 687	\$ 677	\$ 183	\$ 2,037	\$ 685
Certain items associated with acquisitions ¹	12	12	21	37	77
Varian and Semitool deal cost	9	–	–	9	10
Restructuring charges and asset impairments ^{2,3,4,5,6}	3	(4)	135	(30)	248
Gain on sale of facilities, net	(28)	–	–	(27)	–
Non-GAAP operating income	<u>\$ 683</u>	<u>\$ 685</u>	<u>\$ 339</u>	<u>\$ 2,026</u>	<u>\$ 1,020</u>
<u>Non-GAAP Net Income</u>					
Reported net income (GAAP basis)	\$ 476	\$ 489	\$ 123	\$ 1,471	\$ 470
Certain items associated with acquisitions ¹	12	12	21	37	77
Varian and Semitool deal cost	9	–	–	9	10
Restructuring charges and asset impairments ^{2,3,4,5,6}	3	(4)	135	(30)	248
Impairment of strategic investments	–	–	8	–	13
Gain on sale of facilities, net	(28)	–	–	(27)	–
Reinstatement of federal R&D tax credit	–	–	–	(13)	–
Income tax effect of non-GAAP adjustments	(5)	4	(53)	5	(113)
Non-GAAP net income	<u>\$ 467</u>	<u>\$ 501</u>	<u>\$ 234</u>	<u>\$ 1,452</u>	<u>\$ 705</u>
<u>Non-GAAP Earnings Per Diluted Share</u>					
Reported earnings per diluted share (GAAP basis)	\$ 0.36	\$ 0.37	\$ 0.09	\$ 1.10	\$ 0.35
Certain items associated with acquisitions	0.01	0.01	0.01	0.02	0.04
Varian and Semitool deal cost	–	–	–	0.01	0.01
Restructuring charges and asset impairments	–	–	0.07	(0.01)	0.12
Impairment of strategic investments	–	–	–	–	–
Gain on sale of facilities, net	(0.02)	–	–	(0.02)	–
Reinstatement of federal R&D tax credit	–	–	–	(0.01)	–
Non-GAAP earnings per diluted share	<u>\$ 0.35</u>	<u>\$ 0.38</u>	<u>\$ 0.17</u>	<u>\$ 1.09</u>	<u>\$ 0.52</u>
Weighted average number of diluted shares	1,330	1,333	1,349	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 July 31, 2011 included asset impairment charges of \$3 million related to certain fixed assets.

³ 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.

⁴ Results for the three months ended August 1, 2010 included asset impairment charges of \$110 million and restructuring charges of \$45 million related to a restructuring program announced on July 21, 2010, offset by a \$20 million favorable adjustment to a restructuring program announced on November 11, 2009.

⁵ Results for the nine months ended July 31, 2011 included asset impairment charges of \$30 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 nine months ended August 1, 2010 included asset impairment charges of \$110 million and restructuring charges of \$45 million related to a restructuring program announced on July 21, 2010, restructuring charges of \$84 million associated with a restructuring program announced on November 11, 2009, and asset impairment charges of \$9 million related to a facility held for sale.

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

(Dollars in Millions) Free Cash Flow	Three months ended July 31, 2011
Cash from Operations	\$599
Capital Expenditures	\$(55)
Free cash flow	\$544
Revenue	\$2,787
Free cash flow margin	20%

Detail of Certain Items Associated with Acquisitions*

	Three Months Ended		
	July 31, 2011	May 1, 2011	August 1, 2010
Certain items associated with acquisitions		(in thousands)	
Cost of products sold	\$ 8,729	\$ 9,085	\$ 16,970
Marketing and selling	3,348	3,450	4,015
Total	\$ 12,077	\$ 12,535	\$ 20,985

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

Reconciliation of GAAP to Non-GAAP Operating Expenses

	Three Months Ended	
	<u>July 31, 2011</u>	<u>October 30, 2011</u>
	Reported	Forecasted
	(in millions)	
Reported and forecasted operating expenses (GAAP basis)	\$ 497	\$503 - \$523
Certain items associated with acquisitions	(3)	(3)
Varian deal cost	(9)	-
Restructuring and asset impairments	(3)	-
Gain on sale of facility	28	-
Non-GAAP operating expenses	<u>\$ 510</u>	<u>\$500 - \$520</u>

The forecast does not take into account other non-GAAP adjustments that may arise subsequent to Q3'11 earnings release

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

	Three Months Ended July 31, 2011	Three Months Ended May 1, 2011
	<u>(in millions)</u>	<u>(in millions)</u>
Net sales (GAAP basis)	<u>\$ 1,398</u>	<u>\$ 1,453</u>
Operating income (GAAP basis)	\$ 452	\$ 491
Certain items associated with acquisitions	<u>3</u>	<u>3</u>
Non-GAAP operating income	<u>\$ 455</u>	<u>\$ 494</u>
GAAP operating margin (% of net sales)	32.4%	33.8%
Non-GAAP operating margin (% of net sales)	32.5%	34.0%

Reconciliation of GAAP to Non-GAAP

AGS Operating Margin

	Three Months Ended July 31, 2011 <hr/> (in millions)	Three Months Ended May 1, 2011 <hr/> (in millions)
Net sales (GAAP basis)	\$ 603	\$ 614
Operating income (GAAP basis)	\$ 146	\$ 91
Certain items associated with acquisitions	2	2
Asset impairment	-	24
Non-GAAP operating income	\$ 148	\$ 117
GAAP operating margin (% of net sales)	24.3%	14.8%
Non-GAAP operating margin (% of net sales)	24.5%	19.1%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

	Three Months Ended July 31, 2011	Three Months Ended May 1, 2011
	(in millions)	(in millions)
Net sales (GAAP basis)	\$ 223	\$ 158
Operating income (GAAP basis)	\$ 58	\$ 31
Certain items associated with acquisitions	\$ 2	\$ 2
Non-GAAP operating income	\$ 60	\$ 33
GAAP operating margin (% of net sales)	25.8%	19.3%
Non-GAAP operating margin (% of net sales)	26.7%	20.6%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

	<u>Three Months Ended</u> <u>July 31, 2011</u> <u>(in millions)</u>	<u>Three Months Ended</u> <u>May 1, 2011</u> <u>(in millions)</u>
Net sales (GAAP basis)	<u>\$ 563</u>	<u>\$ 637</u>
Operating income (GAAP basis)	\$ 123	\$ 170
Certain items associated with acquisitions	\$ 6	\$ 6
Restructuring charges and asset impairments	3	(8)
Non-GAAP operating income	<u>\$ 132</u>	<u>\$ 168</u>
GAAP operating margin (% of net sales)	21.8%	26.7%
Non-GAAP operating margin (% of net sales)	23.4%	26.4%

Reconciliation of Forecasted Non-GAAP EPS

	Three Months Ended October 30, 2011
	Forecasted
Forecasted EPS (GAAP basis)	\$0.15 - \$0.23
Known charges related to completed acquisitions	\$0.01
Forecasted non-GAAP EPS three months ended October 30, 2011	<u>\$0.16 - \$0.24</u>

The forecast does not exclude other adjustments that may arise subsequent to Q3'11 earnings release

Reconciliation of GAAP to Non-GAAP Gross Margin

	<u>Three Months Ended</u> <u>July 31, 2011</u> (in millions)	<u>Three Months Ended</u> <u>May 1, 2011</u> (in millions)
Net sales (GAAP basis)	\$ 2,787	\$ 2,862
Gross margin (GAAP basis)	\$ 1,184	\$ 1,189
Certain items associated with acquisitions	9	9
Non-GAAP gross margin	<u>\$ 1,193</u>	<u>\$ 1,198</u>
GAAP gross margin (% of net sales)	42.5%	41.5%
Non-GAAP gross margin (% of net sales)	42.8%	41.9%



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into industries.™