

Second Quarter 2010 Earnings Call Highlights

May 19, 2010



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Applied Materials opened its new Singapore Operations Center, Applied's first facility in Asia for manufacturing its advanced semiconductor equipment

Safe Harbor Statement



This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, industry outlooks, and financial expectations. 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 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, customers' ability to acquire affordable capital, demand for electronic products and semiconductors, government renewable energy policies and incentives, and customers' new technology and capacity requirements; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets, (ii) align its cost structure with business conditions, (iii) plan and manage its resources and production capability, (iv) implement initiatives that enhance global operations, (v) capitalize on business acquisitions, (vi) obtain and protect intellectual property rights, and (vii) attract, motivate and retain key employees; and other risks described in Applied's SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of May 19, 2010, and Applied undertakes no obligation to update any forward-looking statements.

This presentation also includes financial measures not in accordance with U.S. GAAP, along with reconciliations of GAAP results to non-GAAP results.

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Q2'10 Key Messages



- Results at upper end of company net sales and EPS targets
- Revenue growth across our most profitable businesses – Silicon, Display and Services
- Gained WFE share in 2009 and on track for further gains in 2010
- Announced 17% dividend increase & reinstated share buybacks
- Further progress transitioning our supply chain to Asia

Q2'10 Financial Summary: Income Statement



(consolidated)

- New orders: \$2.53 billion – up 29% from Q1'10 led by Silicon and Display
- Backlog: \$2.99 billion – up 2% from Q1'10
 - Negative adjustments totaling \$184M primarily driven by EES
- Net sales: \$2.30 billion – up 24% from Q1'10
- Gross margin: 40.4% – up from 38.5% in Q1'10
- Operating expenses: \$541M – down 9% from Q1'10
 - Q2'10 non-GAAP = \$527M (excludes \$5M in acquisition costs and \$9M in restructuring charges)
 - Q1'10 non-GAAP = \$477M (excludes \$14M in acquisition costs and \$104M in restructuring charges)
- Operating income/margin: \$386M or 17% of net sales
 - Up from \$116M or 6% of net sales in Q1'10
- Tax rate: 31.8% – up from 30.3% in Q1'10
- GAAP net income of \$264M and net income of \$0.20 per diluted share
- Non-GAAP net income of \$292M and net income of \$0.22 per diluted share*

* See slide 20 for reconciliation of GAAP to non-GAAP measures

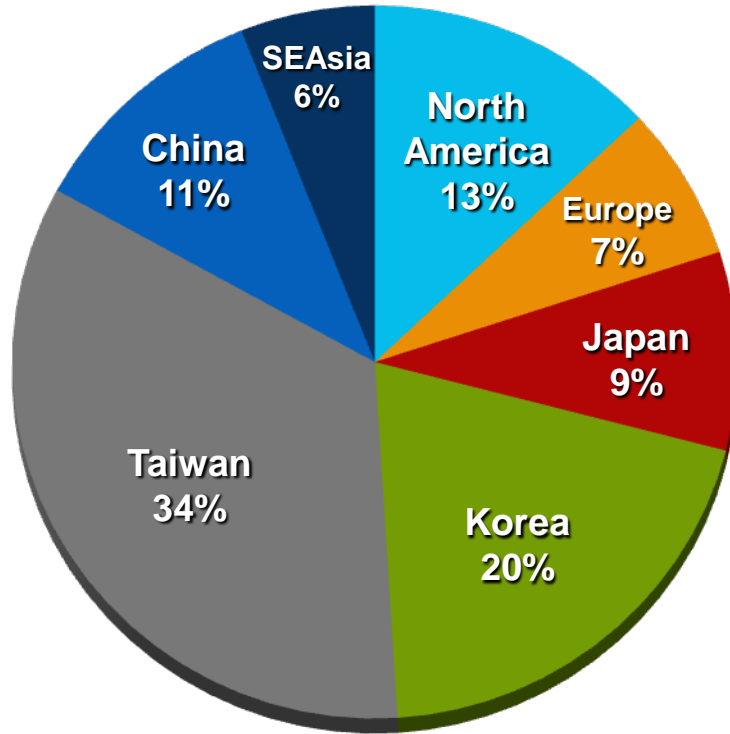
Summary Income Statement (consolidated)



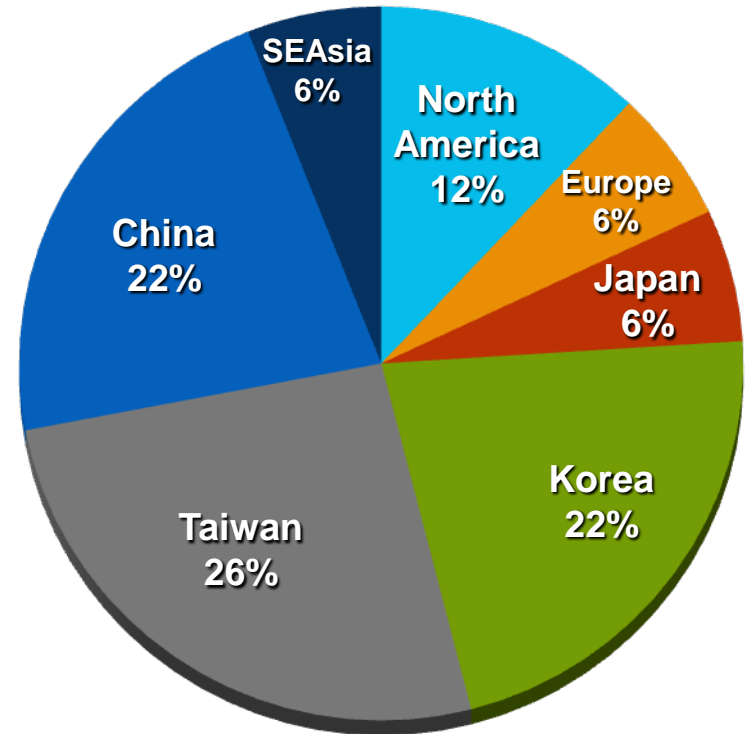
(Unaudited) (\$ Millions Except EPS)	Q2'10	Q1'10	Q2'09
New Orders	\$2,533.3	\$1,964.5	\$648.9
Net Sales	\$2,295.5	\$1,848.9	\$1,020.1
Gross Margin	40.4%	38.5%	15.2%
RD&E	13.3%	14.5%	23.2%
SG&A	9.9%	12.0%	18.2%
Operating Margin	16.8%	6.3%	N/A
Net Income (Loss)	\$264.0	\$82.8	(\$255.4)
%	11.5%	4.5%	N/A
EPS (Loss)	\$0.20	\$0.06	(\$0.19)



QoQ New Orders Regional Distribution (consolidated)

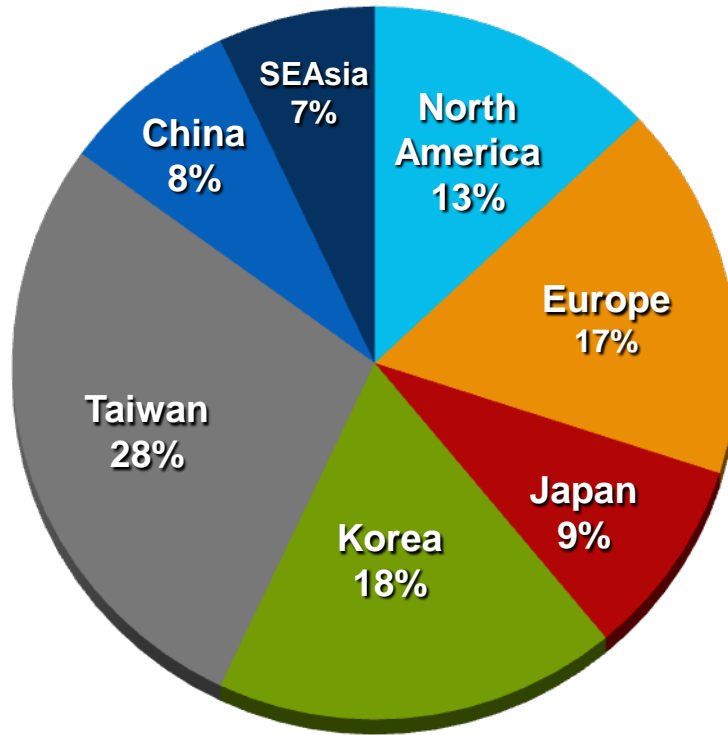


Q1 FY'10
\$1.96 Billion

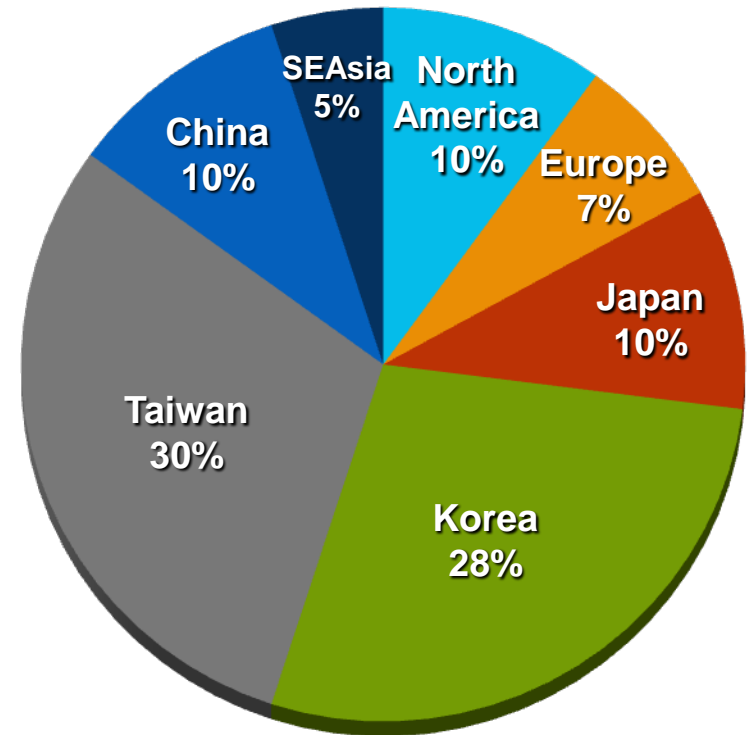


Q2 FY'10
\$2.53 Billion

QoQ Net Sales Regional Distribution (consolidated)



Q1 FY'10
\$1.85 Billion



Q2 FY'10
\$2.30 Billion



Q2'10 Financial Summary: Balance Sheet

(consolidated)

- Cash/cash equivalents and investments increased \$365M to \$3.57B
- Operating cash flow: \$527M or 23% of revenue
- Free cash flow*: \$482M or 21% of revenue
- Inventory: \$1.69B – up \$26 million from Q1'10
- DSO**: 57 days, compared to 67 days in Q1'10
- Capital spending: \$45M
- Depreciation and amortization: \$87M
- Cash returned to stockholders
 - \$81M paid in dividends
 - \$100M in stock repurchases
 - Declared quarterly cash dividend of \$0.07 per share, a 17% increase, payable on June 16, 2010 to stockholders of record as of May 26, 2010
- Headcount: approximately 13,000 regular employees (excluding temporary and interns), reflects Semitool acquisition

* Defined as cash provided by operating activities, less capital expenditures. See slide 21 for reconciliation of GAAP to non-GAAP measures

** Days Sales Outstanding

Summary Balance Sheet (Consolidated)



(Unaudited) (\$ Millions)	Q2'10	Q1'10	Q2'09
Cash, Cash Equivalents and Investments	\$3,565.1	\$3,200.3	\$3,065.1
Accounts Receivable, Net	\$1,437.7	\$1,267.4	\$914.4
Inventories	\$1,690.4	\$1,664.3	\$1,901.0
Property, Plant & Equipment, Net	\$1,083.5	\$1,128.7	\$1,090.1
Total Assets	\$10,449.7	\$10,003.8	\$9,749.1
Long-Term Debt	\$204.8	\$210.5	\$201.2
Total Stockholders' Equity	\$7,321.1	\$7,148.1	\$7,095.9
Current Ratio	2.4	2.6	2.8
Total Debt/Capital Ratio	2.7%	2.9%	2.8%

Reporting Segments



Designs, manufactures and sells equipment used to fabricate semiconductor chips



Broad range of products¹ to maintain, service and optimize customers' semiconductor, display and solar fabs



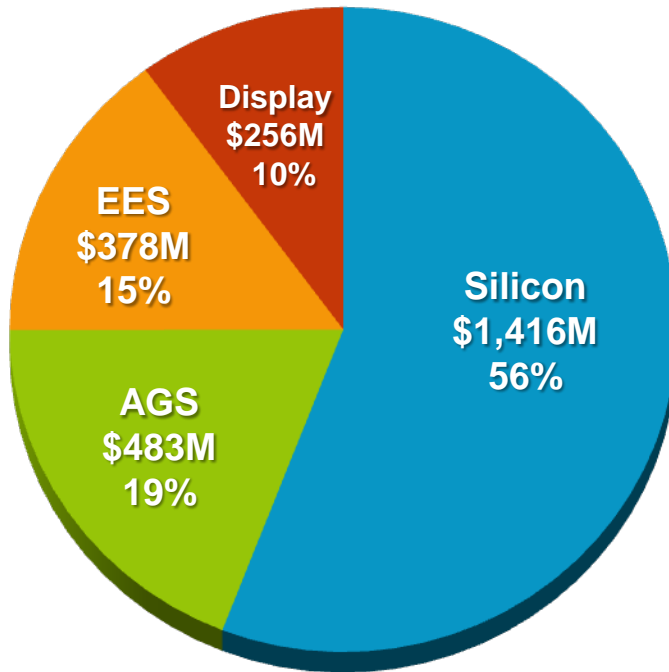
Designs, manufactures and sells equipment used to make flat panel displays



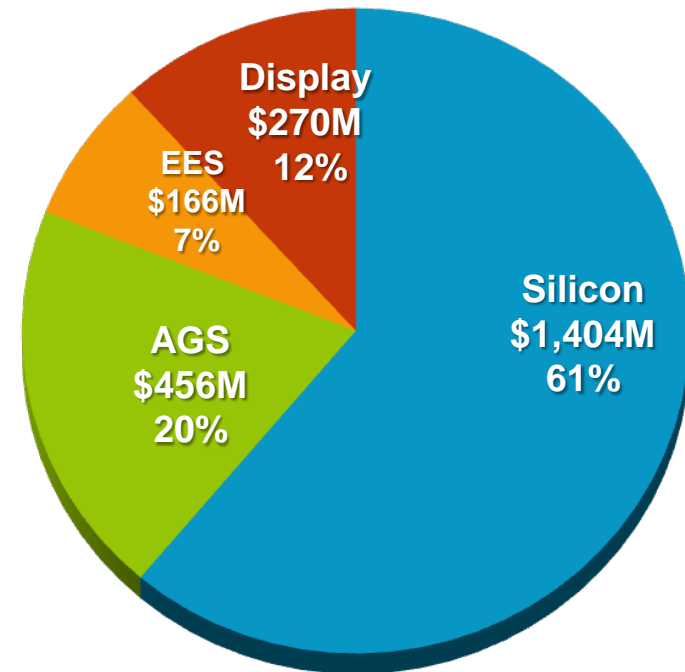
Designs, manufactures and sells equipment used to fabricate solar cells and modules, flexible electronics and energy-efficient glass

¹ Include total parts management, spare parts, remanufactured equipment, maintenance agreements, total support programs and environmental and software solutions

Q2'10 New Orders and Net Sales by Segment

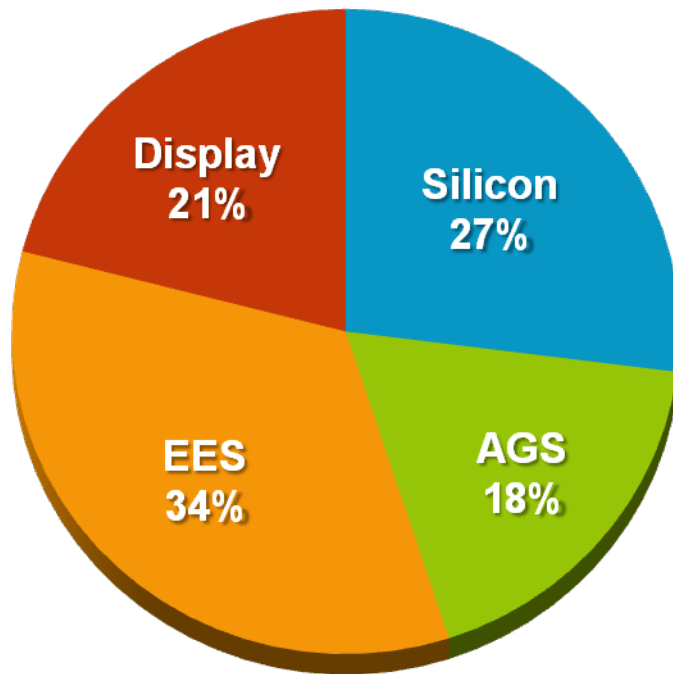


New Orders
\$2.53 Billion

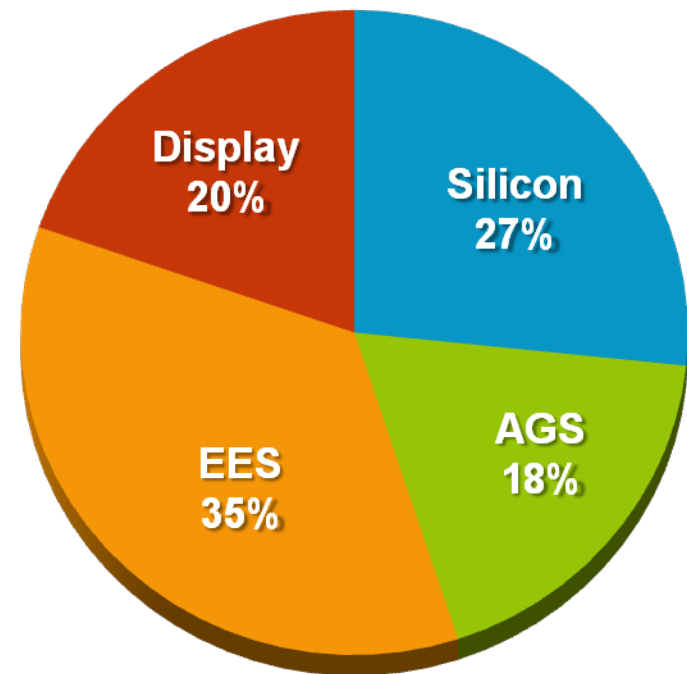


Net Sales
\$2.30 Billion

QoQ Backlog by Segment



Q1 FY'10
\$2.93 Billion

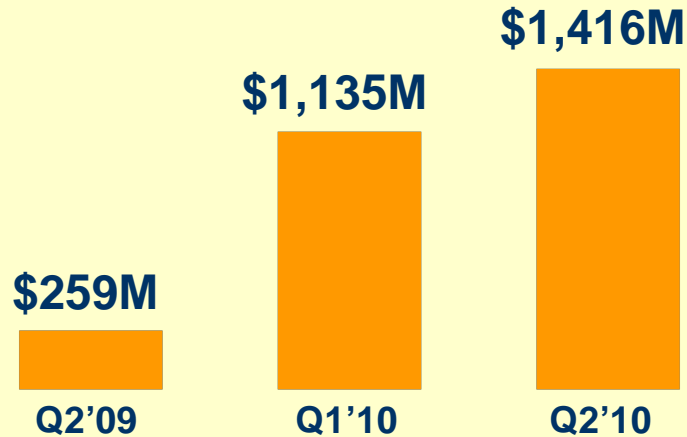


Q2 FY'10
\$2.99 Billion

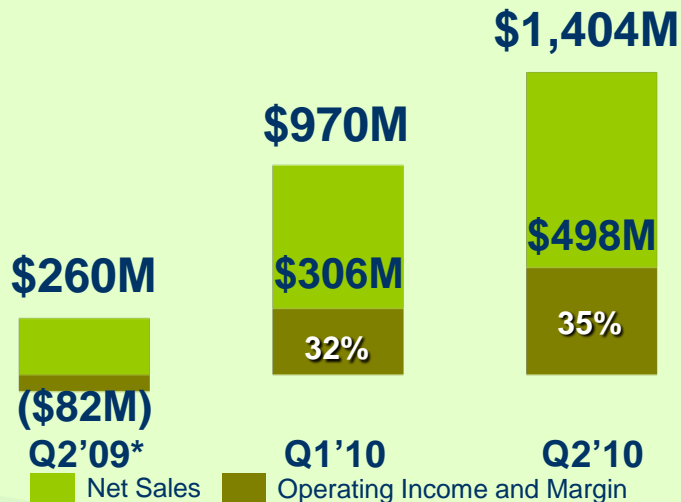
Silicon Segment Summary



New Orders



Net Sales & Operating Income (Loss)



- Orders up 25% QoQ
 - Led by memory and logic customers
- Net sales up 45% QoQ
 - Over 65% of net sales resulted from orders received within the quarter
- Operating income of \$498M or 35% of revenue

Q2'10 Orders by Customer Segment

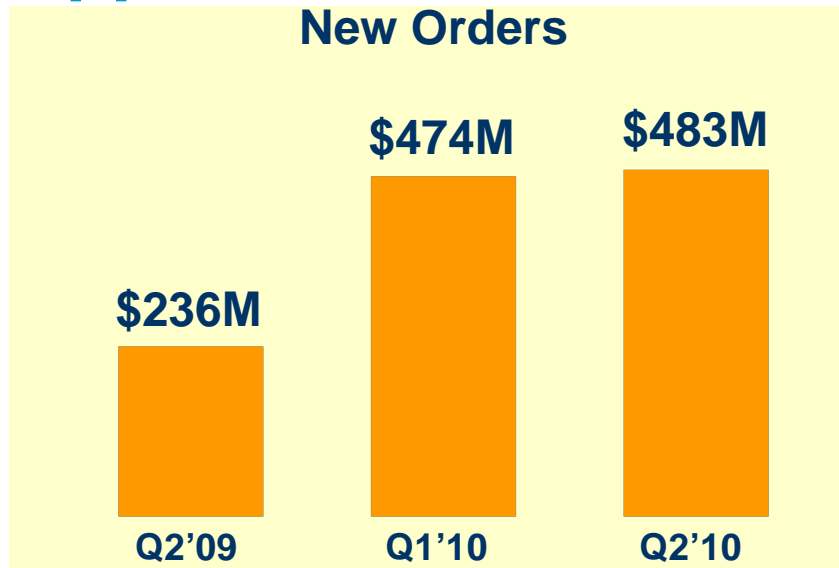
Foundry	DRAM	Flash	Logic & Others
37%	41%	10%	12%

* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data

Applied Global Services Segment Summary

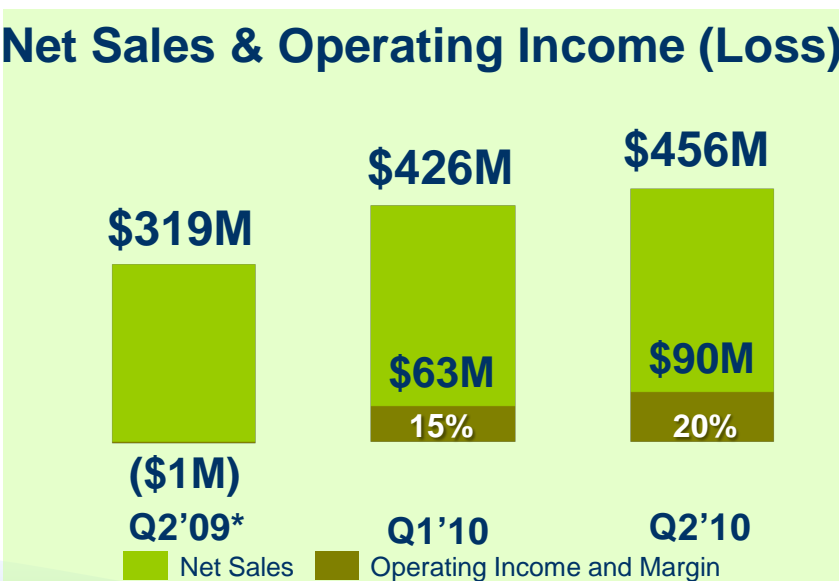


New Orders



- Orders up 2% QoQ
 - 200mm equipment and higher spares offset lower service
- Net sales up 7% QoQ
 - Spares availability and customer delivery performance improved significantly

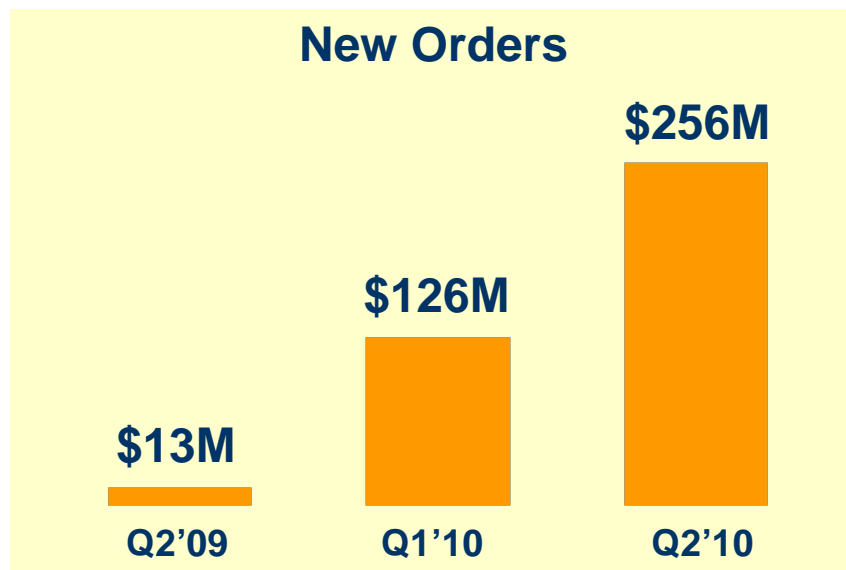
Net Sales & Operating Income (Loss)



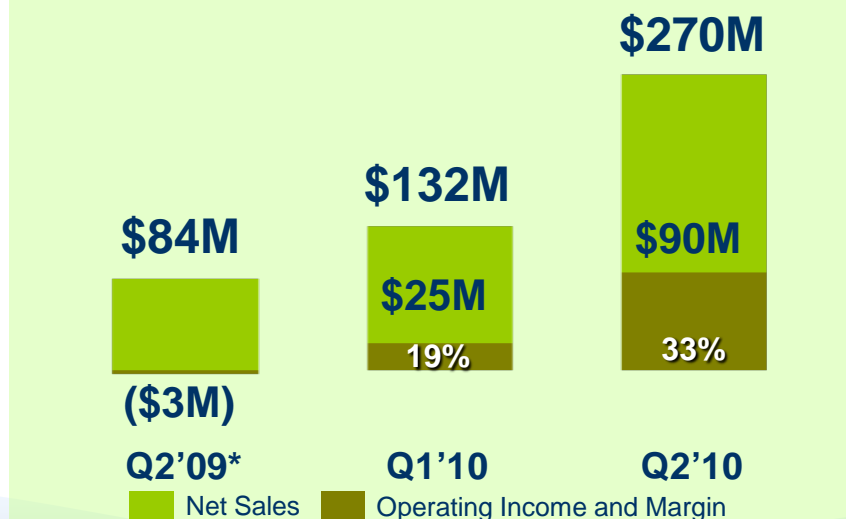
- Operating income of \$90M or 20% of revenue
 - Operating margin percent improved by 5 points

* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data

Display Segment Summary



Net Sales & Operating Income (Loss)



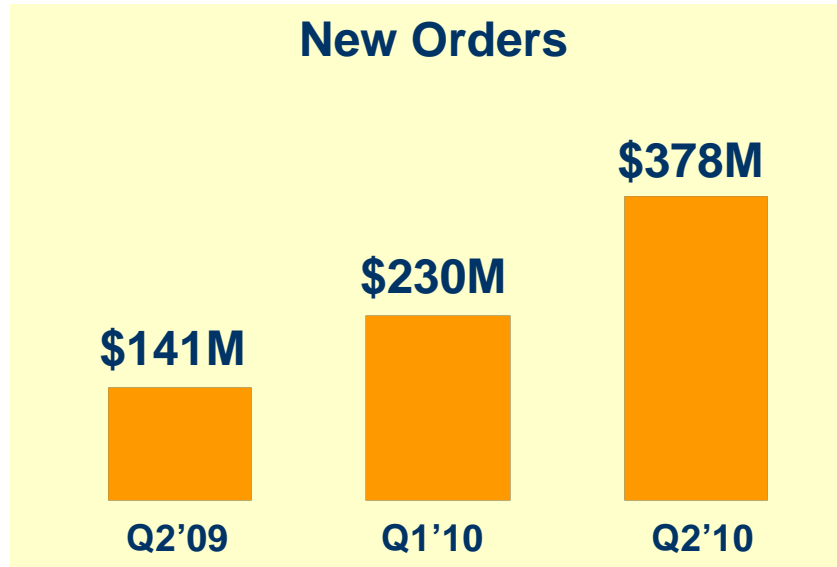
- Orders more than doubled QoQ
- Net sales more than doubled QoQ
 - Driven by customer investments in China
- Operating income of \$90M or 33% of revenue
 - Strong flow through and favorable product mix

* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data

Energy & Environmental Solutions Segment

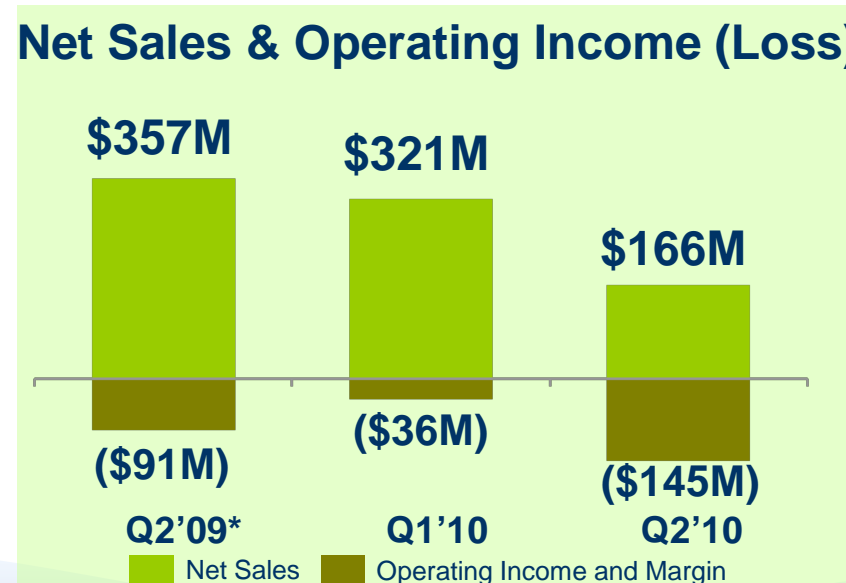


New Orders



- Orders up 64% QoQ
 - Strong demand for c-Si solar equipment
- Net sales down 48% QoQ
 - Lower than expected thin film partially offset by increased c-Si

Net Sales & Operating Income (Loss)



- Operating loss of \$145M
 - Reflects \$83M excess inventory charge

* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data



Industry Outlook

Semiconductor:

- Strong CQ1'10 end market, driven by computing and consumer electronic products
- CQ1'10 Semiconductor sales up 2.8% QoQ in seasonally down quarter
- 2010 outlook: expect Wafer Fab Equipment spending to be \$26-28B, up ~\$5B from prior estimates

Display:

- Global LCD TV shipments remain robust, led by China's 95% YoY growth due to strong Chinese New Year demand, despite entering seasonally slower quarter in CQ1'10
- Major panel manufacturers profits improved in CQ1'10 with stable panel pricing and strong LCD TV shipments
- 2010 outlook: Expect flat panel display equipment spending up >70%

Solar:

- 2010 outlook: Expect worldwide solar PV installations in the range of 8-10GW and capacity additions between 10-12GW
- Module demand remained strong, largely driven by German pull-in demand and growth in key European markets
- Module pricing stabilized

Source: SEMI, Display Search, Companies' announcements, Applied Materials

Q3'10 Expectations

(As of May 19, 2010)



Net Sales	Down 2% to Up 5% from Q2'10
Non-GAAP EPS*	\$0.22 to \$0.26

* Excludes known charges related to completed acquisitions of approximately \$0.01 per share; outlook does not take into account other non-GAAP adjustments that may arise subsequent to Q2'10 earnings release.

Reconciliation of GAAP to NON-GAAP Results



	Three Months Ended			Six Months Ended	
	May 2, 2010	January 31, 2010	April 26, 2009	May 2, 2010	April 26, 2009
<i>(In thousands, except per share amounts)</i>					
Non-GAAP Net Income (Loss)					
Reported net income (loss) (GAAP basis)	\$ 264,004	\$ 82,751	\$ (255,390)	\$ 346,755	\$ (388,324)
Certain items associated with acquisitions ¹	30,242	25,962	24,824	56,204	50,849
Semitool deal cost	-	9,860	-	9,860	-
Restructuring and asset impairments ^{2,3,4}	8,968	103,844	26,709	112,812	159,481
Impairment of equity method investment and strategic investments	3,671	1,190	77,081	4,861	77,081
Income tax effect of non-GAAP adjustments and resolution of audits of prior years' income tax filings	(14,701)	(44,607)	(37,072)	(59,308)	(90,601)
Non-GAAP net income (loss)	\$ 292,184	\$ 179,000	\$ (163,848)	\$ 471,184	\$ (191,514)
Non-GAAP Net Income (Loss) Per Diluted Share					
Reported net income (loss) per diluted share (GAAP basis)	\$ 0.20	\$ 0.06	\$ (0.19)	\$ 0.26	\$ (0.29)
Certain items associated with acquisitions	0.02	0.01	0.01	0.03	0.03
Semitool deal cost	-	0.01	-	0.01	-
Restructuring and asset impairments	-	0.05	0.01	0.05	0.08
Impairment of equity method investment and strategic investments	-	-	0.05	-	0.05
Resolution of audits of prior years' income tax filings	-	-	(0.01)	-	(0.01)
Non-GAAP net income (loss) - per diluted share	\$ 0.22	\$ 0.13	\$ (0.12)	\$ 0.35	\$ (0.14)
Shares used in diluted shares calculation	1,352,436	1,349,567	1,331,729	1,350,802	1,330,476

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

³ Results for the three months ended January 31, 2010 and the six months ended May 2, 2010 included restructuring charges of \$104 million associated with a restructuring program announced on November 11, 2009.

⁴ Results for the three months ended April 26, 2009 included asset impairment charges of \$15 million related to wafer cleaning equipment and restructuring charges of \$12 million primarily associated with a restructuring program announced on November 12, 2008. Results for the six months ended April 26, 2009 included asset impairment charges of \$15 million related to wafer cleaning equipment and restructuring charges of \$145 million associated with a restructuring program announced on November 12, 2008.

Effective the first quarter of fiscal 2010, the non-GAAP results no longer exclude the impact of equity-based compensation. Previously reported non-GAAP results have been restated to conform to the fiscal 2010 presentation.

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



(Dollars in Thousands) Free Cash Flow	Three months ended May 02, 2010	Three months ended January 31, 2010
Cash from Operations	\$526,963	\$371,873
Capital Expenditures	\$(44,707)	\$(53,167)
Free cash flow	\$482,256	\$318,706
Revenue	\$2,295,540	\$1,848,902
Free cash flow margin	21%	17%



Operating Margin Reclassification by Segment

		Results for Q2 FY '09			Results for Q1 FY '10	"Apples to Apples" Results for Q2 FY '10		
		Q2 FY '09 As Originally Reported	Q2 FY '09 with Reporting Changed	Change		Q2 FY '10 As Reported	Difference from Q1 FY '10 As Reported	Difference from Q2 FY '09 with Reporting Changed
Operating Margin (\$M)	SSG	(96)	(82)	14	306	498	192	580
	AGS	(1)	(1)	0	63	90	27	91
	DISPLAY	1	(3)	(4)	25	90	65	93
	EES	(93)	(91)	2	(36)	(145)	(109)	(54)
Operating Margin (%)	SSG	-37%	-32%	5%	32%	35%	3%	67%
	AGS	0%	0%	0%	15%	20%	5%	20%
	DISPLAY	1%	-3%	-4%	19%	33%	14%	36%
	EES	-26%	-25%	1%	-11%	-87%	-76%	-62%

Operating Margin Reclassification Trend by Segment



		Quarterly Results for FY '09				Total
		Q1 FY '09 with Reporting Changed	Q2 FY '09 with Reporting Changed	Q3 FY '09 with Reporting Changed	Q4 FY '09 with Reporting Changed	Full FY '09 with Reporting Changed
Operating Margin (\$M)	SSG	46	(82)	67	170	201
	AGS	26	(1)	24	66	115
	DISPLAY	21	(3)	(8)	41	51
	EES	(64)	(91)	(52)	(28)	(234)
Operating Margin (%)	SSG	9%	-32%	14%	26%	10%
	AGS	8%	0%	7%	17%	8%
	DISPLAY	14%	-3%	-11%	20%	10%
	EES	-22%	-25%	-23%	-10%	-20%

Detail of Certain Items Associated with Acquisitions*



	Three Months Ended		
	<u>May 2, 2010</u>	<u>January 31, 2010</u>	<u>April 26, 2009</u>
Certain items associated with acquisitions		(in thousands)	
Cost of products sold	\$ 25,058	\$ 22,145	\$ 19,303
Research, development and engineering	-	-	-
General and administrative	-	9,860	1,365
Marketing and selling	5,184	3,817	4,156
Total	<u>\$ 30,242</u>	<u>\$ 35,822</u>	<u>\$ 24,824</u>

* Details to amounts shown on slide 20 for certain items associated with acquisitions



Reconciliation of GAAP to Non-GAAP Operating Expenses

	Three Months Ended		
	May 2, 2010	July 1, 2010	October 31, 2010
	Reported	Forecasted	Forecasted
		(in millions)	
Reported and forecasted operating expenses (GAAP basis)	\$ 541	\$524 - \$544	\$524 - \$544
Certain items associated with acquisitions	(5)	(4)	(4)
Restructuring and asset impairment	(9)	-	-
Non-GAAP operating expenses	<u>\$ 527</u>	<u>\$520 - \$540</u>	<u>\$520 - \$540</u>

The forecast does not take into account other non-GAAP adjustments that may arise subsequent to Q2'10 earnings release

