



Third Quarter 2010 Earnings Call Highlights



Applied Materials has experienced high demand for its new Applied Centura® AdvantEdge Mesa™ etch system due to its revolutionary source design that delivers angstrom-level precision to the edge of the wafer.

Date: August 18, 2010

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, end 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 and efficiencies, and (v) attract, motivate and retain key employees; risks related to legal proceedings and claims; and other risks described in Applied's SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of August 18, 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.

Contents

- Q3 FY'10 highlights
- Q3 FY'10 financial highlights (consolidated):
 - Income statement
 - Summary income statement table
 - New orders and net sales regional distribution
 - Balance sheet
 - Summary balance sheet table
- Reporting segments:
 - Q3 FY'10 new orders and net sales by segment
 - Backlog by segment
 - Detailed financial performance by segment
- Global and industry outlook
- Q4 FY'10 expectations
- Reconciliation of GAAP to non-GAAP results (net income)
- Reconciliation of free cash flow
- Operating margin reclassification by segments
- Operating margin reclassification trend by segments
- Details of certain items associated with acquisitions
- Reconciliation of GAAP to non-GAAP gross margin
- Reconciliation of GAAP to non-GAAP operating expenses
- Reconciliation of GAAP to non-GAAP for 2010 Performance Expectations

Q3'10 Highlights

- Results exceeded expectations for revenue & non-GAAP EPS
- EES restructuring enables path to EES profitability
- Silicon (SSG) and Services (AGS) orders each up >\$100M QoQ
- Operational/supply chain initiatives are positively impacting performance
- Non-GAAP operating expenses were within our targeted range of \$520M - \$540M

Q3'10 Financial Summary: Income Statement

(consolidated)

- New orders: \$2.72 billion – up 8% from Q2'10 led by Silicon and AGS
- Backlog: \$3.13 billion – up 5% from Q2'10
- Net sales: \$2.52 billion – up 10% from Q2'10
- Gross margin: 34.2% – down from 40.4% in Q2'10
 - Excluding inventory and contract charges gross margin would have been flat at 44%*
- Operating expenses: \$677M – up 25% from Q2'10
 - Q3'10 non-GAAP = \$538M (excludes \$4M in acquisition costs and \$135M in restructuring and asset impairment charges)
 - Q2'10 non-GAAP = \$527M (excludes \$5M in acquisition costs and \$9M in asset impairment charges)
- Operating income/margin: \$183M or 7% of net sales
 - Down from \$386M or 17% of net sales in Q2'10
- Tax rate: 30.8% – down from 31.8% in Q2'10
- GAAP net income of \$123M or \$0.09 per diluted share
- Non-GAAP net income of \$234M or \$0.17 per diluted share**

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

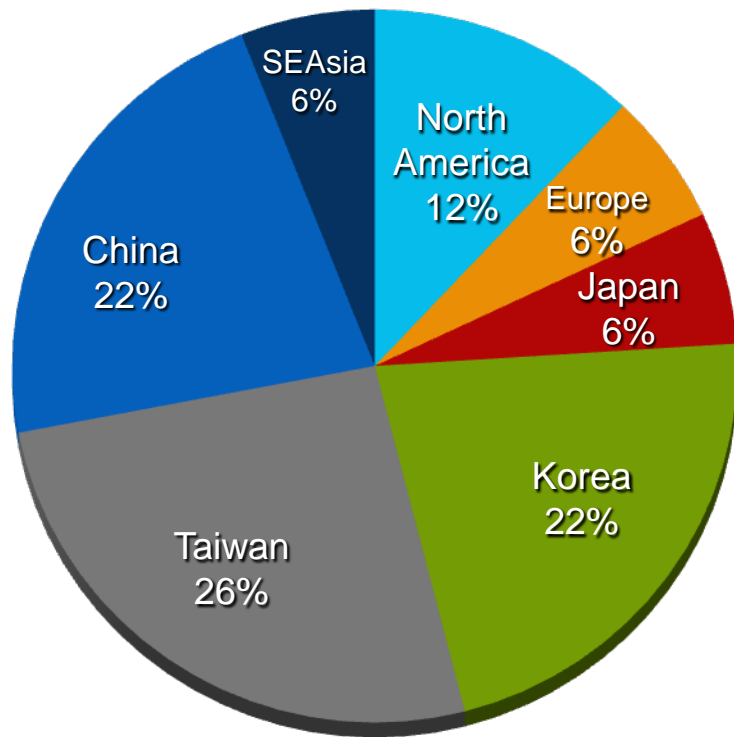
** See slide 20 for reconciliation of GAAP to non-GAAP measures

Summary Income Statement (consolidated)

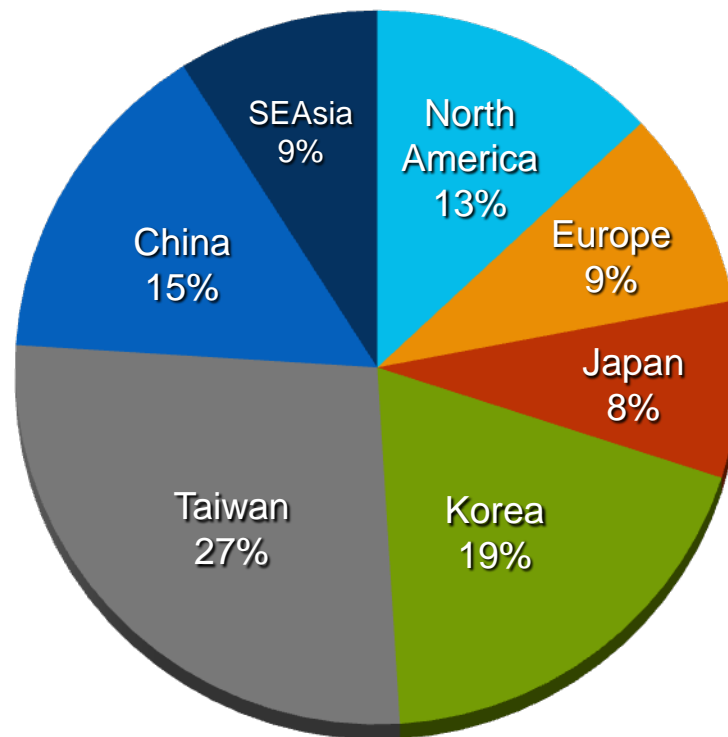
(Unaudited) (\$ Millions Except EPS)	Q3'10	Q2'10	Q3'09
New Orders	\$2,724.7	\$2,533.3	\$1,071.8
Net Sales	\$2,517.8	\$2,295.5	\$1,133.7
Gross Margin	34.2%	40.4%	28.7%
RD&E	11.5%	13.3%	20.6%
SG&A	10.0%	9.9%	14.8%
Operating Margin	7.3%	16.8%	N/A
Net Income (Loss)	\$123.1	\$264.0	(\$54.9)
%	4.9%	11.5%	N/A
EPS (Loss)	\$0.09	\$0.20	(\$0.04)

New Orders Regional Distribution

(consolidated)



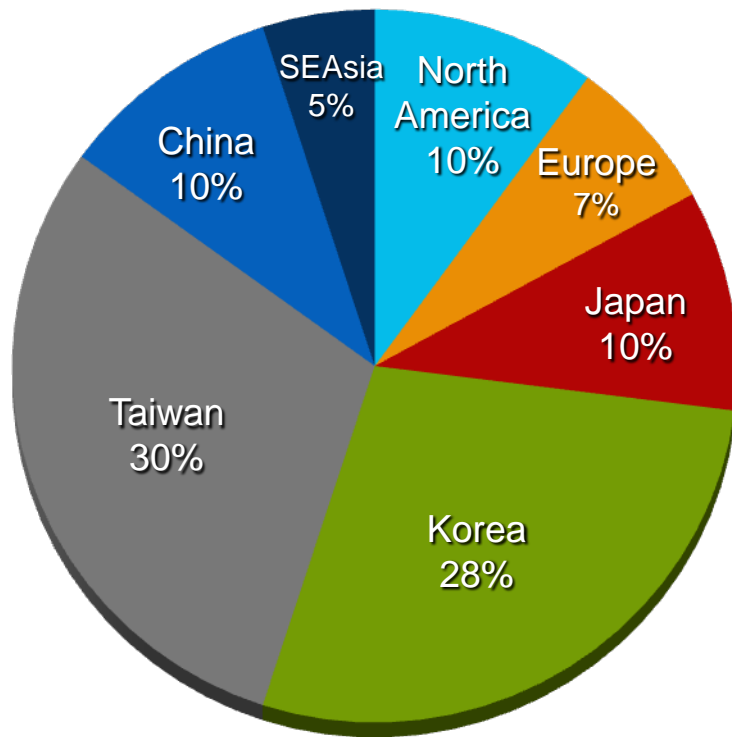
Q2 FY'10
\$2.53 Billion



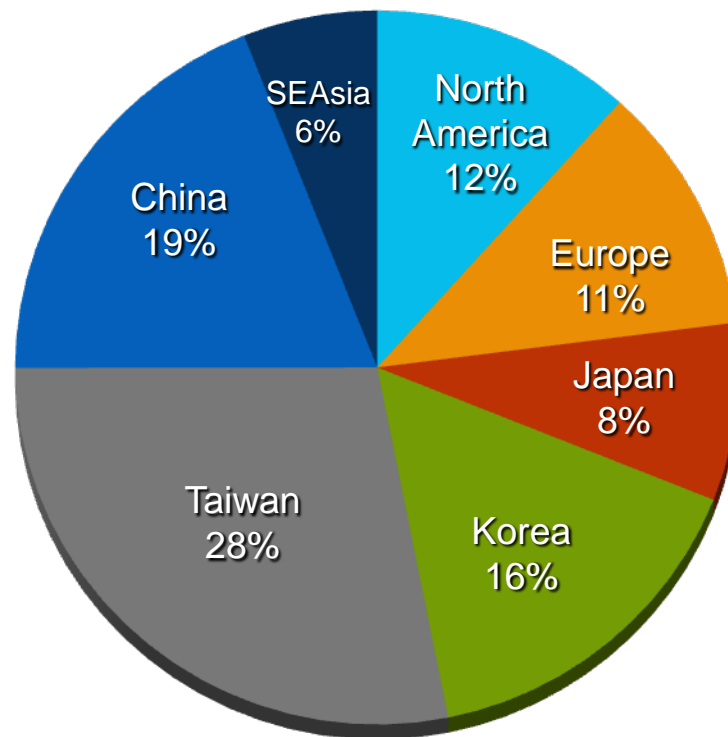
Q3 FY'10
\$2.72 Billion

Net Sales Regional Distribution

(consolidated)



Q2 FY'10
\$2.30 Billion



Q3 FY'10
\$2.52 Billion

Q3'10 Financial Summary: Balance Sheet

(consolidated)

- Cash/cash equivalents and investments increased \$63M to \$3.63B
- Operating cash flow: \$299M or 12% of revenue
- Free cash flow*: \$263M or 10% of revenue
- Inventory: \$1.59B – down \$100 million from Q2'10
- DSO**: 62 days, compared to 57 days in Q2'10
- Capital spending: \$36M
- Depreciation and amortization: \$73M
- Cash returned to stockholders
 - \$94M paid in dividends
 - \$100M in stock repurchases
 - Declared quarterly cash dividend of \$0.07 per share, payable on September 15, 2010 to stockholders of record as of August 25, 2010
- Headcount: approximately 13,000 regular employees (excluding temporary and interns)

* 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)	Q3'10	Q2'10	Q3'09
Cash, Cash Equivalents and Investments	\$3,627.7	\$3,565.1	\$3,128.8
Accounts Receivable, Net	\$1,721.5	\$1,437.7	\$842.2
Inventories	\$1,590.1	\$1,690.4	\$1,748.5
Property, Plant & Equipment, Net	\$983.8	\$1,083.5	\$1,088.1
Total Assets	\$10,726.1	\$10,449.7	\$9,580.3
Long-Term Debt	\$204.4	\$204.8	\$201.2
Total Stockholders' Equity	\$7,278.1	\$7,321.1	\$7,013.6
Current Ratio	2.3	2.4	2.8
Total Debt/Capital Ratio	2.8%	2.7%	2.8%

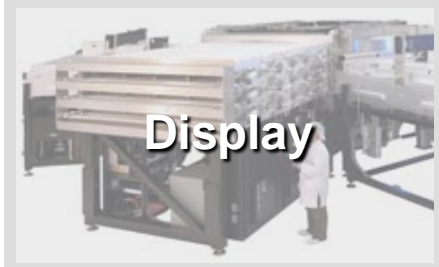
Reporting Segments



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



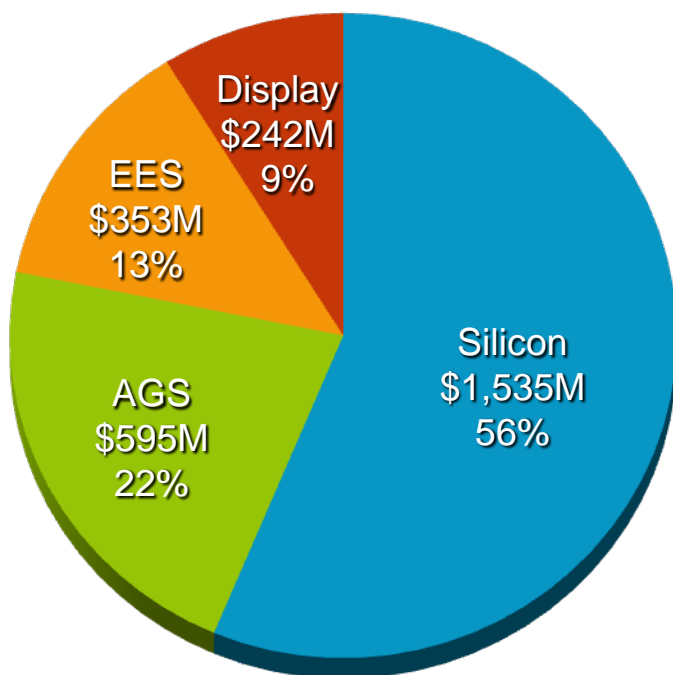
Designs, manufactures and sells equipment used to make flat panel displays



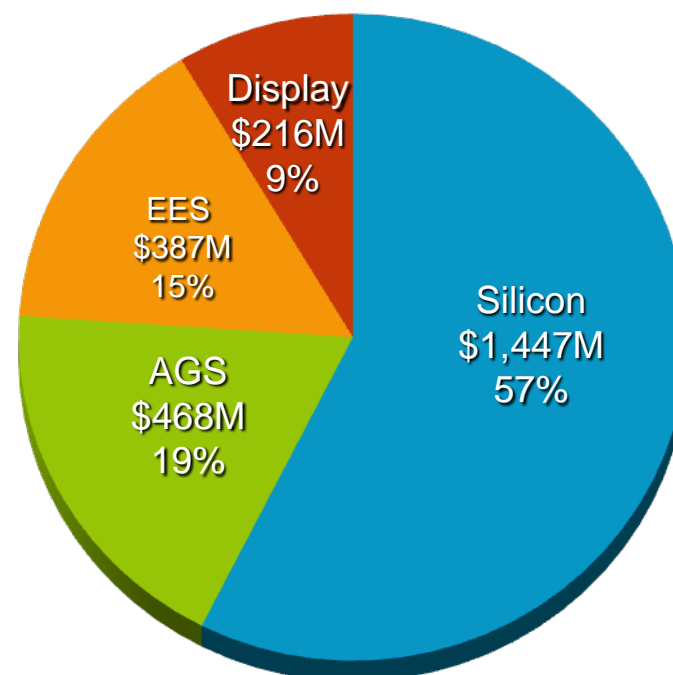
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q3'10 New Orders and Net Sales by Segment

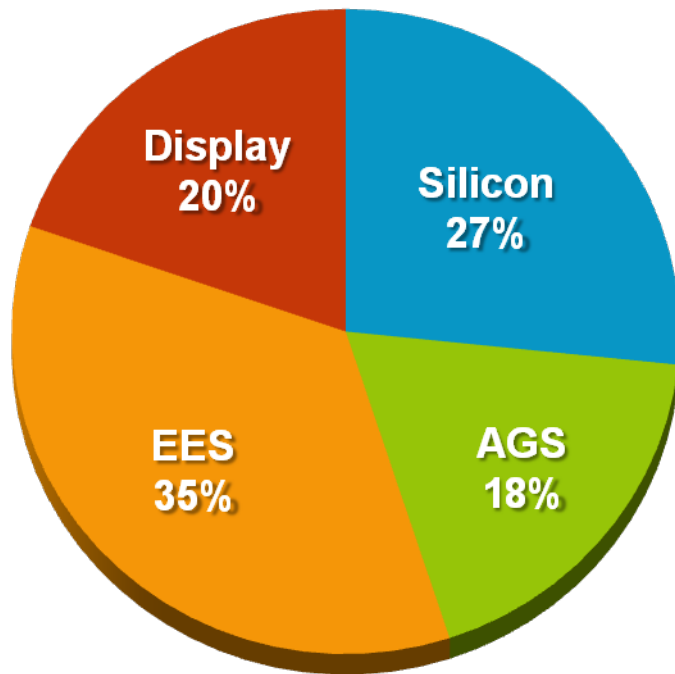


New Orders
\$2.72 Billion

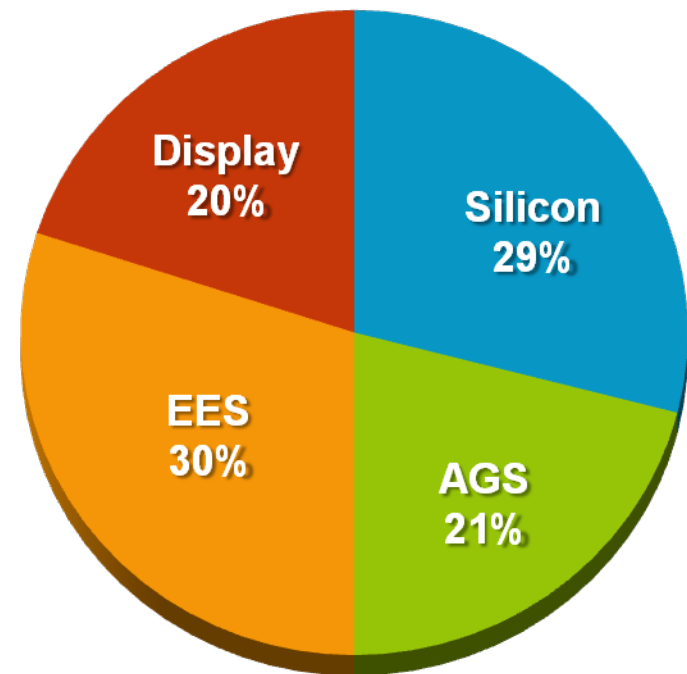


Net Sales
\$2.52 Billion

Backlog by Segment

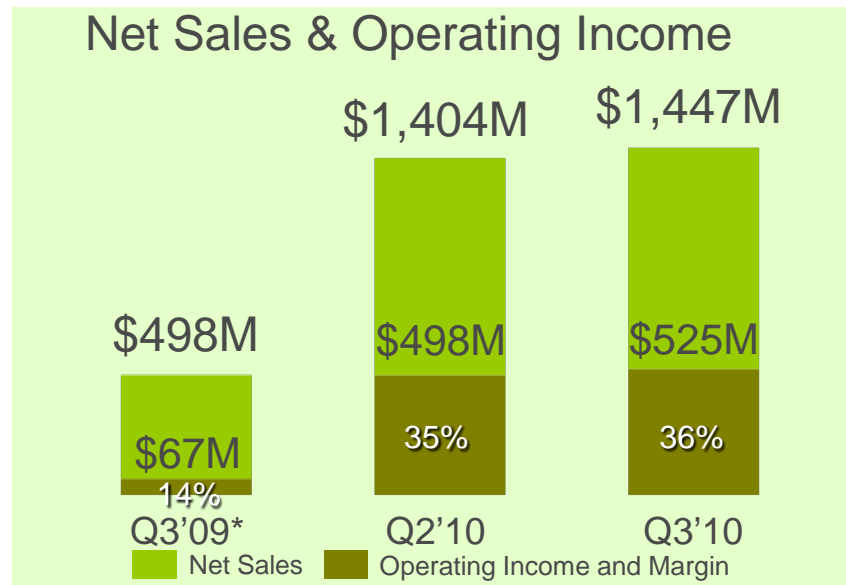
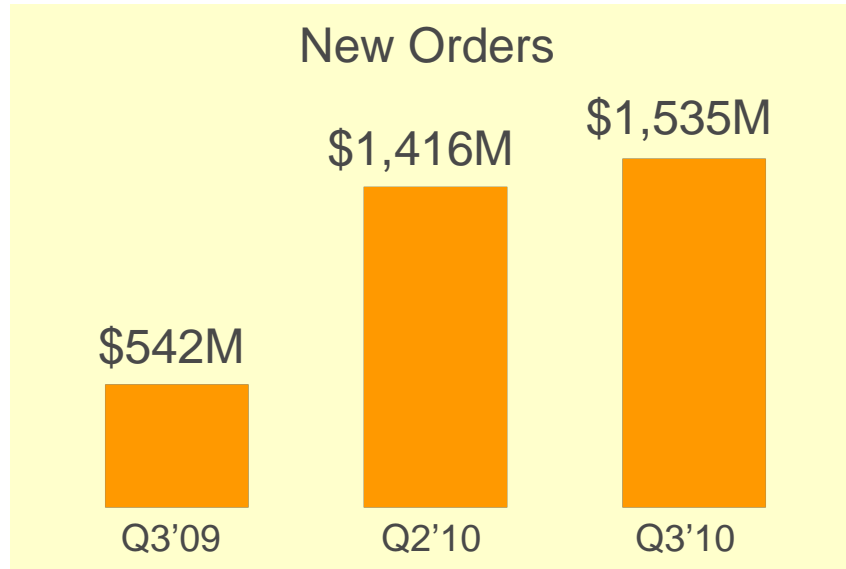


Q2 FY'10
\$2.99 Billion



Q3 FY'10
\$3.13 Billion

Silicon Segment Summary



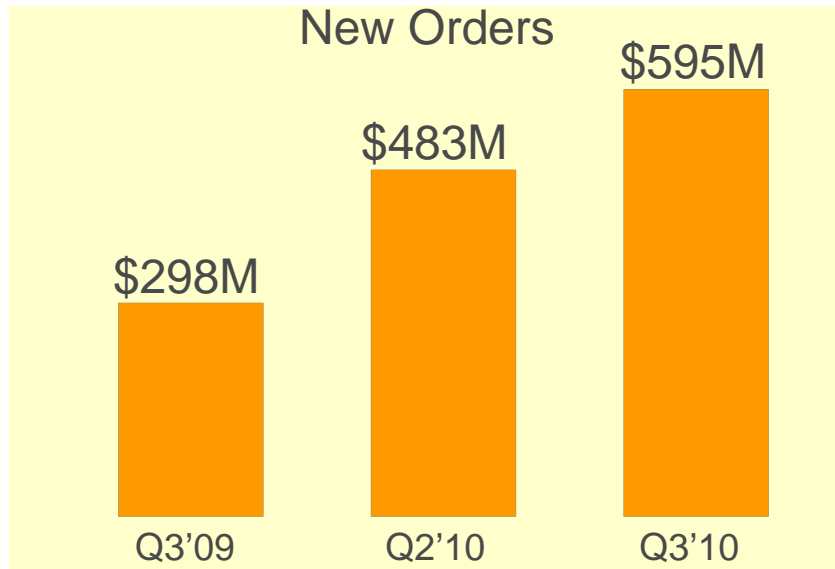
- Orders up 8% QoQ
 - All applications higher except DRAM
- Net sales up 3% QoQ
 - Strength in foundry and logic
- Operating income of \$525M or 36% of net sales
 - Semitool accretive earlier than expected

Q3'10 Orders by Customer Segment

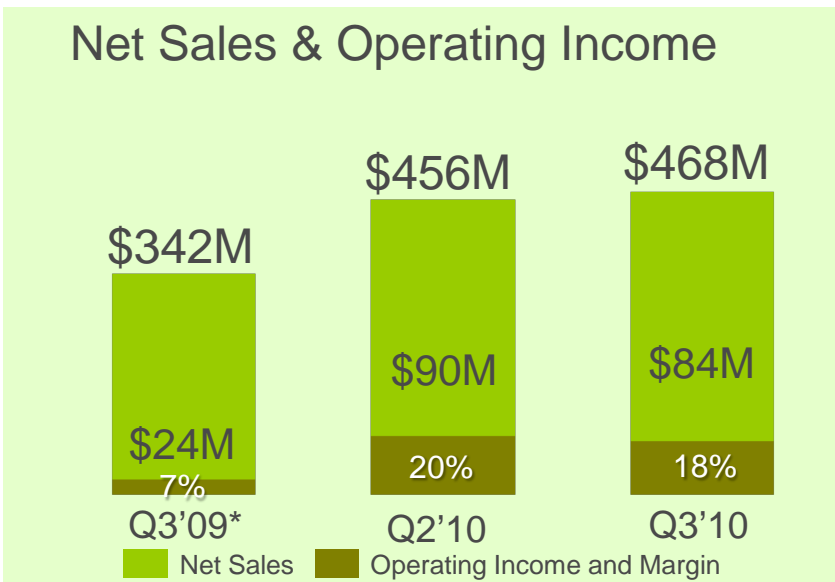
Foundry	DRAM	Flash	Logic & Others
37%	32%	13%	18%

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

Applied Global Services Segment Summary

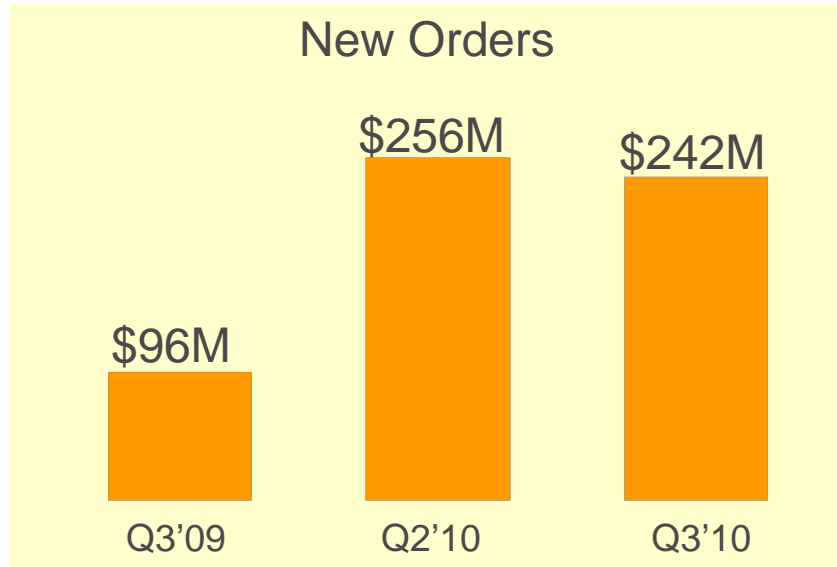


- Orders up 23% QoQ
 - Strong demand for 200mm refurbished equipment
- Net sales up 3% QoQ
- Operating income of \$84M or 18% of net sales
 - Operating margin decreased modestly due to 200mm ramp challenges

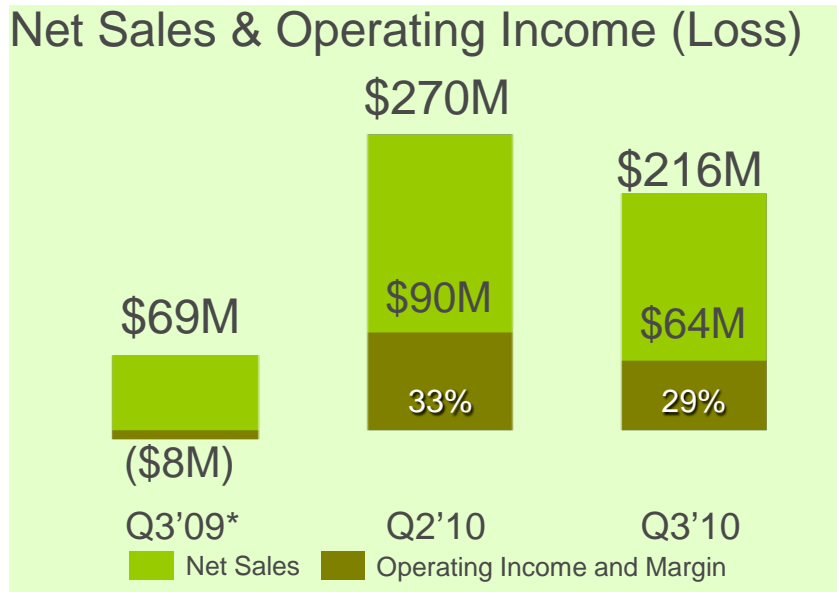


* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data

Display Segment Summary



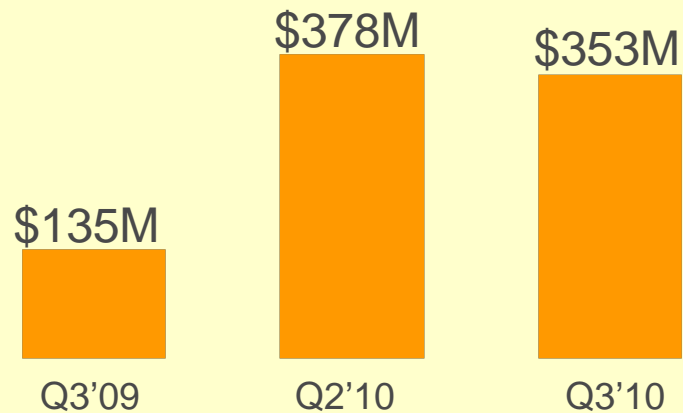
- Orders down 6% QoQ
- Net sales down 20% QoQ
 - In line with our expectations
- Operating income of \$64M or 29% of net sales
 - Reflects benefits of Taiwan manufacturing center



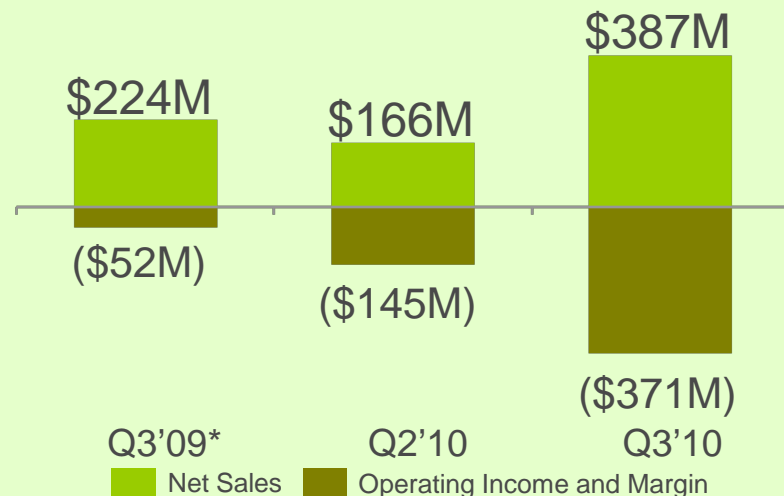
* Applied has reclassified segment operating results, see slide 22 – 23 for adjustment data

Energy & Environmental Solutions Segment

New Orders



Net Sales & Operating Income (Loss)



- Orders down 7% QoQ
 - Strong demand for c-Si solar equipment
- Net sales up 133% QoQ
 - Record revenue for Baccini
 - Includes one single-junction SunFab line sign-off
- Operating loss of \$371M
 - Reflects \$405M in EES restructuring plan charges (\$250M inventory-related and \$155M for severance and asset impairment)

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

Industry Outlook

Semiconductor:

- Strong CQ2'10 End Market driven by computing and consumer products
- CQ2'10 Semiconductor sales up 7.1% QoQ, higher than seasonal growth
- 2010 outlook: Expect WFE spending to be up 103-118% YoY to \$26-28B; driven by stronger demand and pricing

Display:

- Global LCD TV shipment reached 44M in CQ2'10 up 7% QoQ and up 43% YoY due to strong demand for World Cup Soccer event
- Major panel manufacturers had improved profitability and maintained capex forecasts for 2010 as panel ASPs remained stable and shipments increased
- 2010 outlook: Expect flat panel display equipment spending growth of 75-80%

Solar:

- CQ2'10 PV installation decreased QoQ, but grew by 350+% YoY
- Module prices stabilized with most top manufacturers sold out through end of year
- 2010 outlook: Expect worldwide solar PV installations to be greater than 12 gigawatts

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

Q4'10 Expectations

(As of August 18, 2010)

Net Sales	Flat to Up 5% from Q3'10
Non-GAAP EPS*	\$0.28 to \$0.32

* 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 Q3'10 earnings release.

Reconciliation of GAAP to Non-GAAP Results

<i>(In thousands, except per share amounts)</i>	Three Months Ended			Nine Months Ended	
	August 1, 2010	May 2, 2010	July 26, 2009	August 1, 2010	July 26, 2009
Non-GAAP Net Income (Loss)					
Reported net income (loss) (GAAP basis)	\$ 123,096	\$ 264,004	\$ (54,865)	\$ 469,851	\$ (443,189)
Certain items associated with acquisitions ¹	20,985	30,242	22,425	77,189	73,274
Semito ol deal cost	—	—	—	9,860	—
Restructuring and asset impairments ^{2,3,4}	135,331	8,968	—	248,143	159,481
Impairment of equity method investment and strategic investments	7,804	3,671	2,341	12,665	79,422
Income tax effect of non-GAAP adjustments and resolution of audits of prior years ¹ income tax filings	(53,652)	(14,701)	(2,657)	(112,960)	(93,258)
Non-GAAP net income (loss)	\$ 233,564	\$ 292,184	\$ (32,756)	\$ 704,748	\$ (224,270)
Non-GAAP Net Income (Loss) Per Diluted Share					
Reported net income (loss) per diluted share (GAAP basis)	\$ 0.09	\$ 0.20	\$ (0.04)	\$ 0.35	\$ (0.33)
Certain items associated with acquisitions	0.01	0.02	0.01	0.04	0.04
Semito ol deal cost	—	—	—	0.01	—
Restructuring and asset impairments	0.07	—	—	0.12	0.08
Impairment of equity method investment and strategic investments	—	—	—	—	0.05
Resolution of audits of prior years ¹ income tax filings	—	—	—	—	—
Non-GAAP net income (loss) — per diluted share	\$ 0.17	\$ 0.22	\$ (0.02)	\$ 0.52	\$ (0.17)
Shares used in diluted shares calculation	1,348,808	1,352,436	1,333,278	1,350,587	1,331,410

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 August 1, 2010 included asset impairment charges of \$110 million and restructuring charges of \$45 million associated with the EES restructuring plan announced on July 21, 2010, offset by a \$20 million favorable adjustment to the restructuring plan announced on November 11, 2009. Results for the nine months ended August 1, 2010 included asset impairment charges of \$110 million and restructuring charges of \$45 million associated with the EES restructuring plan announced on July 21, 2010, restructuring charges of \$84 million associated with the restructuring plan announced on November 11, 2009, and asset impairment charges of \$9 million related to a facility held for sale.

³ Results for the three months ended May 2, 2010 included asset impairment charges of \$9 million related to a facility held for sale.

⁴ Results for the nine months ended July 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 share-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 August 01, 2010	Three months ended May 02, 2010
Cash from Operations	\$298,901	\$526,960
Capital Expenditures	\$(36,170)	\$(44,707)
Free cash flow	\$262,731	\$482,253
Revenue	\$2,517,790	\$2,295,540
Free cash flow margin	10%	21%

Operating Margin Reclassification by Segment

		Results for Q3 FY '09			Results for Q2 FY '10 As Reported	"Apples to Apples" Results for Q3 FY '10		
		Q3 FY '09 As Originally Reported	Q3 FY '09 with Reporting Changed	Change		Q3 FY '10 As Reported	Difference from Q2 FY '10 As Reported	Difference from Q3 FY '09 with Reporting Changed
Operating Margin (\$M)	SSG	56	67	11	498	525	27	458
	AGS	24	24	0	90	84	(5)	60
	DISPLAY	(5)	(8)	(3)	90	64	(26)	72
	EES	(53)	(52)	1	(145)	(371)	(226)	(319)
Operating Margin (%)	SSG	11%	14%	3%	35%	36%	1%	22%
	AGS	7%	7%	0%	20%	18%	-2%	11%
	DISPLAY	-7%	-11%	-4%	33%	29%	-4%	40%
	EES	-24%	-23%	1%	-87%	-96%	-9%	-73%

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	
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		
	August 1, 2010	May 2, 2010	July 26, 2009
Certain items associated with acquisitions		(in thousands)	
Cost of products sold	\$ 16,970	\$ 25,058	\$ 18,695
Marketing and selling	4,015	5,184	3,730
Total	\$ 20,985	\$ 30,242	\$ 22,425

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

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three Months Ended	
	August 1, 2010	May 2, 2010
	(in millions)	
Reported Net Sales	\$ 2,518	\$ 2,296
Reported Gross Profit (GAAP basis)	\$ 860	\$ 927
Inventory write down and contractual termination obligation charges	247	83
Non-GAAP Gross Profit	\$ 1,107	\$ 1,010
Gross margin (GAAP basis)	34.2%	40.4%
Non-GAAP gross margin	44.0%	44.0%

Reconciliation of GAAP to Non-GAAP Operating Expenses

	Three Months Ended	
	August 1, 2010	October 31, 2010
	Reported	Forecasted
	(in millions)	
Reported and forecasted operating expenses (GAAP basis)	\$ 677	\$524 - \$544
Certain items associated with acquisitions	(4)	(4)
Restructuring and asset impairment	(135)	-
Non-GAAP operating expenses	<u>\$ 538</u>	<u>\$520 - \$540</u>

The forecast does not take into account other non-GAAP adjustments that may arise subsequent to Q3'10 earnings release

Reconciliation of GAAP to Non-GAAP for 2010 Performance Expectations

	Nine Months Ended August 1, 2010
	Reported
Reported EPS (GAAP basis)	\$ 0.35
Certain items associated with acquisitions	\$ 0.04
Semitool deal cost	\$ 0.01
Restructuring and asset impairments	\$ 0.12
Non-GAAP EPS nine months ended August 1, 2010	<u>\$ 0.52</u>

	Three Months Ended October 31, 2010
	Forecasted
Forecasted EPS (GAAP basis)	\$0.27 - \$0.31
Known charges related to completed acquisitions	\$0.01
Forecasted non-GAAP EPS three months ended October 31, 2010	<u>\$0.28 - \$0.32</u>

	Fiscal 2010 Forecasted
Non-GAAP EPS nine months ended August 1, 2010	\$0.52
Forecasted non-GAAP EPS three months ended October 31, 2010	\$0.28 - \$0.32
Forecasted non-GAAP EPS fiscal 2010	<u>\$0.80 - \$0.84</u>

	Fiscal 2010 Forecasted
Forecasted non-GAAP EPS fiscal 2010	\$0.80 - \$0.84
EES inventory-related charges	\$0.16
Forecasted non-GAAP EPS fiscal 2010 adjusted for EES inventory-related charges	<u>\$0.96 - \$1.00</u>

The forecast does not take into account other adjustments that may arise subsequent to Q3'10 earnings release



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