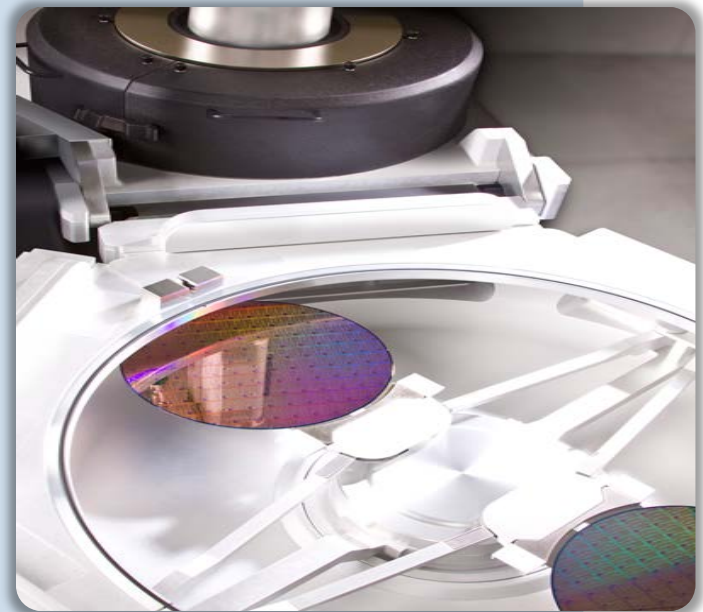




Third Quarter 2012 Earnings Call Highlights

August 15, 2012

Applied Centura® Avatar™ dielectric etch system is designed to solve the most demanding challenges in creating three-dimensional memory architectures



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, restructuring activities, and Q4'12 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 the level of demand for Applied's products, which is subject to many factors, such as uncertain global economic and industry conditions, demand for electronic products and semiconductors, government renewable energy policies and incentives, and customers' new technology and capacity requirements; the concentrated nature of Applied's customer base; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets, (ii) successfully integrate Varian and realize synergies, (iii) timely align its cost structure with business conditions and achieve targeted efficiencies, (iv) attract, motivate and retain key employees, and (v) accurately forecast future operating and financial results, which depends on multiple assumptions; 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 15, 2012, and 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'12 highlights
- Q3 FY'12 financial summary (consolidated)
- Reporting segments
- Q4 FY'12 expectations
- GAAP to non-GAAP reconciliations

Q3'12 Highlights

- Delivered solid financial performance in line with outlook despite challenging industry conditions in Semiconductor, Display & Solar
- Orders of \$1.80B, down 35% sequentially and net sales of \$2.34B, down 8% sequentially
- Non-GAAP operating income was \$431M*; GAAP operating income was \$322M
- Non-GAAP net income was \$300M*; GAAP net income was \$218M
- Non-GAAP EPS of \$0.24*; GAAP EPS of \$0.17
- During the quarter, paid \$115M in cash dividends and raised stock repurchases to \$500M, driving a 3.6% reduction in shares outstanding from the beginning of the quarter

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

Q3'12 Income Statement Summary (consolidated)

New orders:

\$1.80B – down 35% from Q2'12

Backlog:

\$1.82B – down 23% from Q2'12

Net sales:

\$2.34B – down 8% from Q2'12

**Non-GAAP
gross margin*:**

41.6% – down 0.5 percentage point from Q2'12

**Non-GAAP
operating
income/margin*:**

\$431M or 18.4% of net sales

Effective tax rate:

27.8%

**Non-GAAP
net income*:**

\$300M or \$0.24 per diluted share

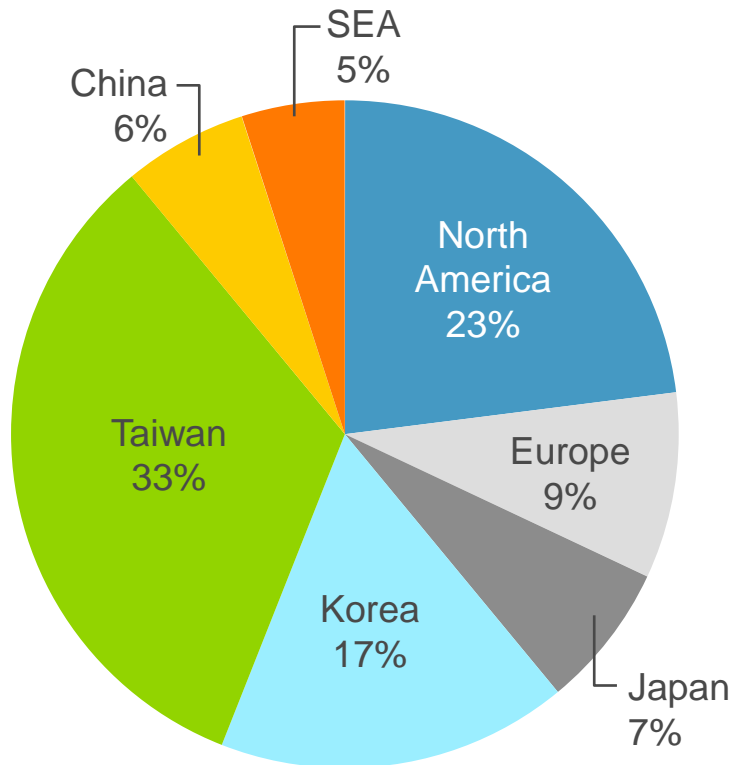
* See slides 19 and 21 for reconciliation of GAAP to non-GAAP measures

Summary Income Statement (consolidated)

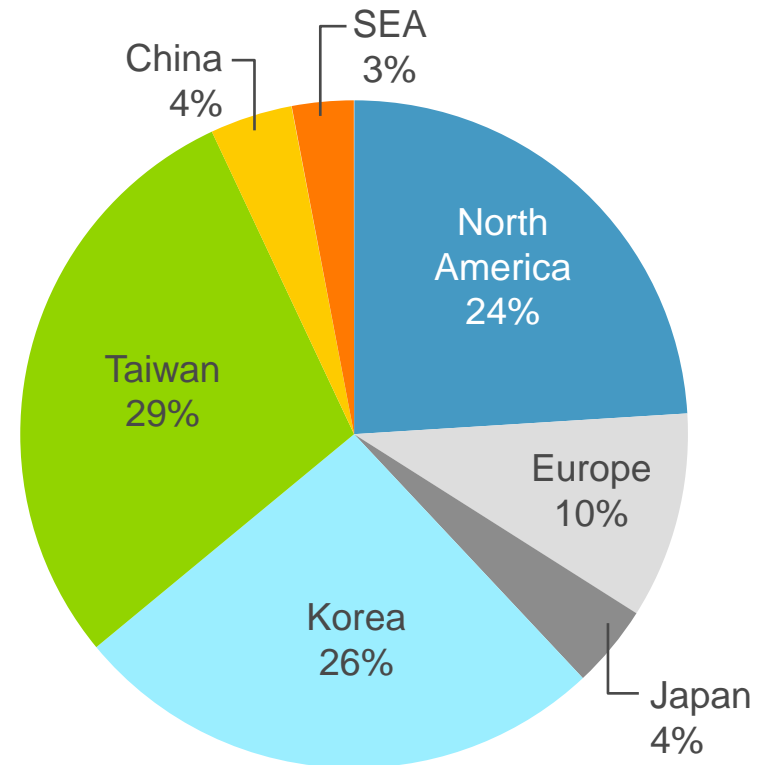
Unaudited \$ Amounts in Millions Except EPS	Q3'12	Q2'12	Q3'11
New orders	\$1,799	\$2,765	\$2,390
Net sales	\$2,343	\$2,541	\$2,787
Gross margin (Non-GAAP)*	41.6%	42.1%	42.8%
RD&E	13.2%	12.6%	10.1%
SG&A	10.9%	11.1%	8.6%
Operating margin (Non-GAAP)*	18.4%	19.3%	24.5%
Net income (Non-GAAP)*	\$300	\$349	\$467
Net income % (Non-GAAP)*	12.8%	13.7%	16.8%
EPS (Non-GAAP)*	\$0.24	\$0.27	\$0.35

* See slides 19 and 21 for reconciliation of GAAP to non-GAAP measures

New Orders Regional Distribution (consolidated)

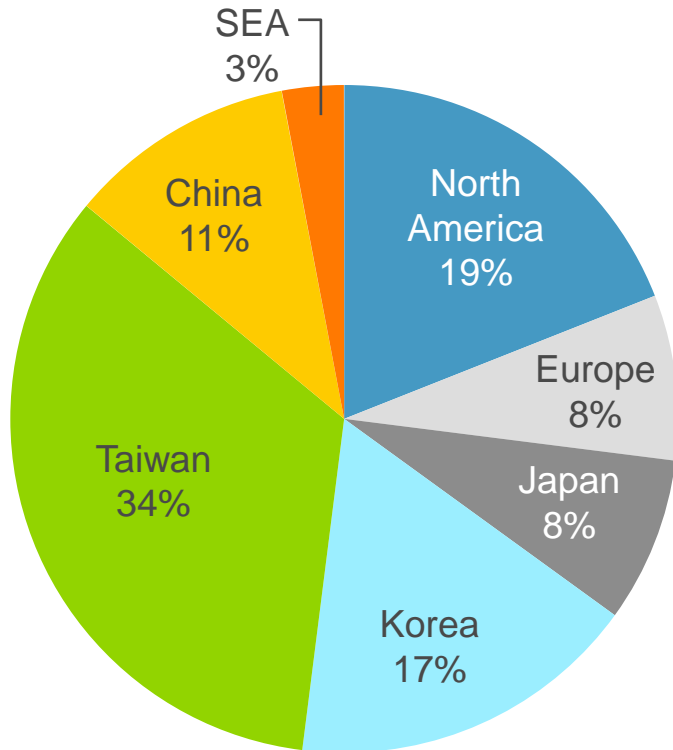


Q3 FY'12
\$1.80 Billion

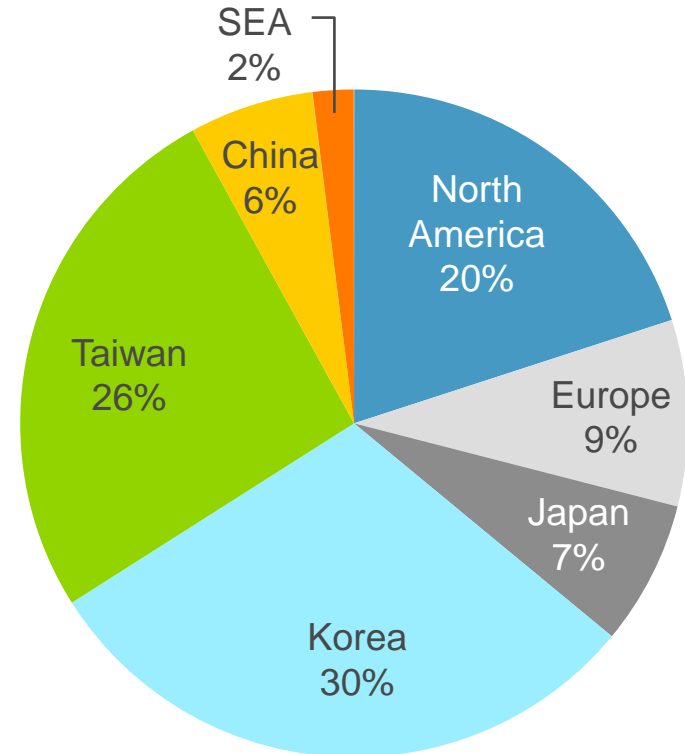


Q2 FY'12
\$2.77 Billion

Net Sales Regional Distribution (consolidated)



Q3 FY'12
\$2.34 Billion



Q2 FY'12
\$2.54 Billion

Q3'12 Other Financials Summary

Cash, cash equivalents and investments:

Decreased ~\$19M to \$3.22B

Inventory:

\$1.4B, down \$214M from Q2'12

Days sales outstanding:

60 days vs. 64 days in Q2'12

Capital spending:

\$45M

Depreciation and amortization:

\$105M

Headcount:

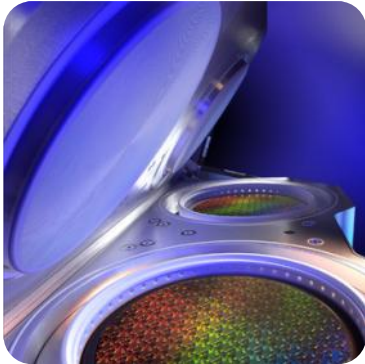
~14,600 regular employees*

* Excluding temporary and interns

Summary Balance Sheet

Unaudited \$ Amounts in Millions	Q3'12	Q2'12	Q3'11
Cash, cash equivalents & investments	\$3,222	\$3,241	\$6,809
Accounts receivables, net	\$1,535	\$1,785	\$1,812
Inventories	\$1,380	\$1,594	\$1,849
Property, plant & equip., net	\$917	\$939	\$854
Total assets	\$13,320	\$13,877	\$14,103
Long-term debt	\$1,946	\$1,946	\$1,947
Total stockholders' equity	\$8,339	\$8,703	\$8,551
Current ratio	2.4	2.4	3.1
Total debt / capital ratio	18.9%	18.3%	18.5%

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

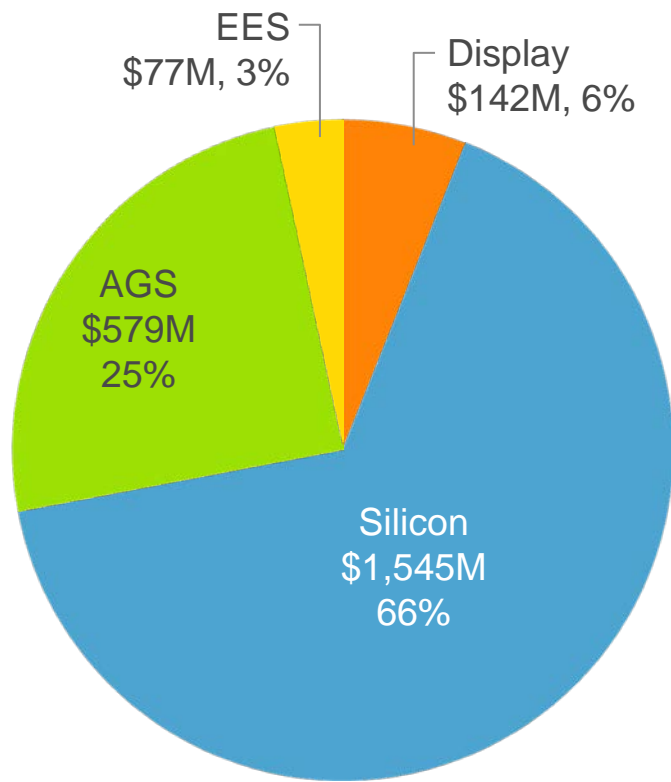


ENERGY & ENVIRONMENTAL SOLUTIONS

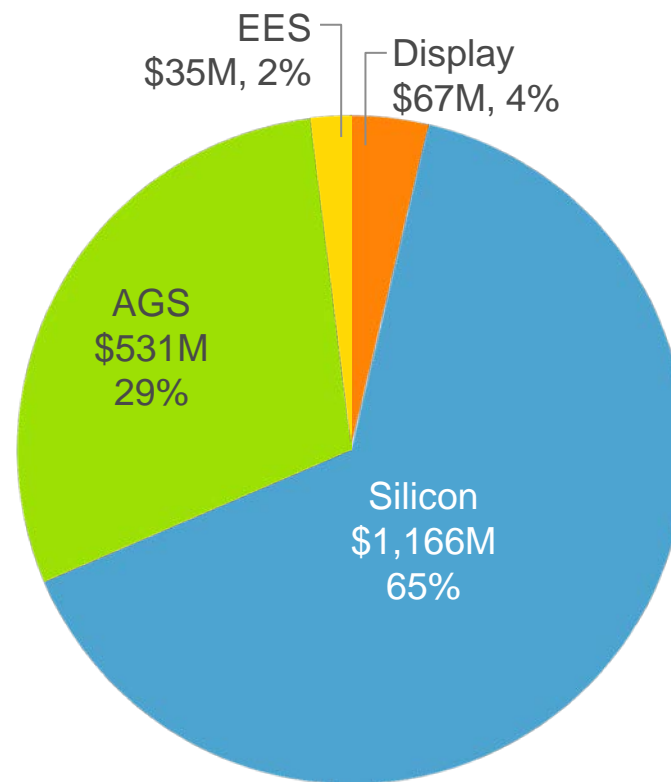
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q3'12 Net Sales & New Orders by Segment

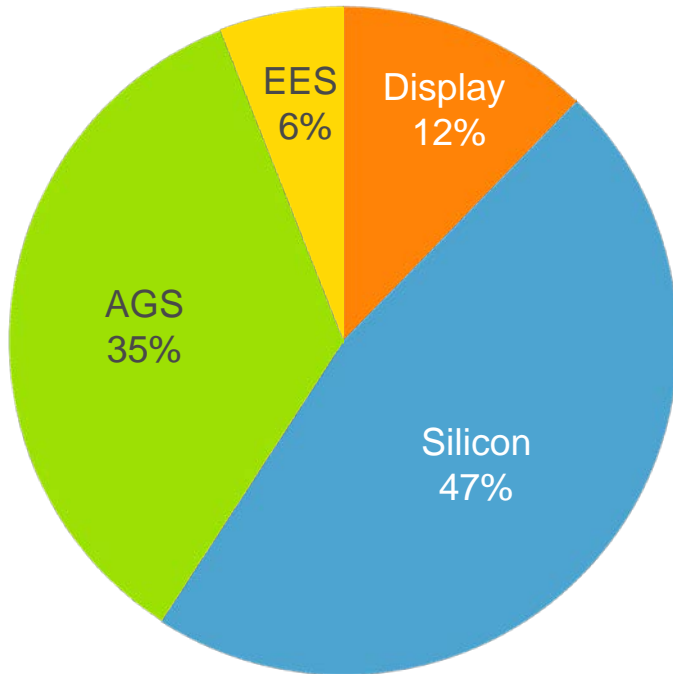


Net Sales
\$2.34 Billion

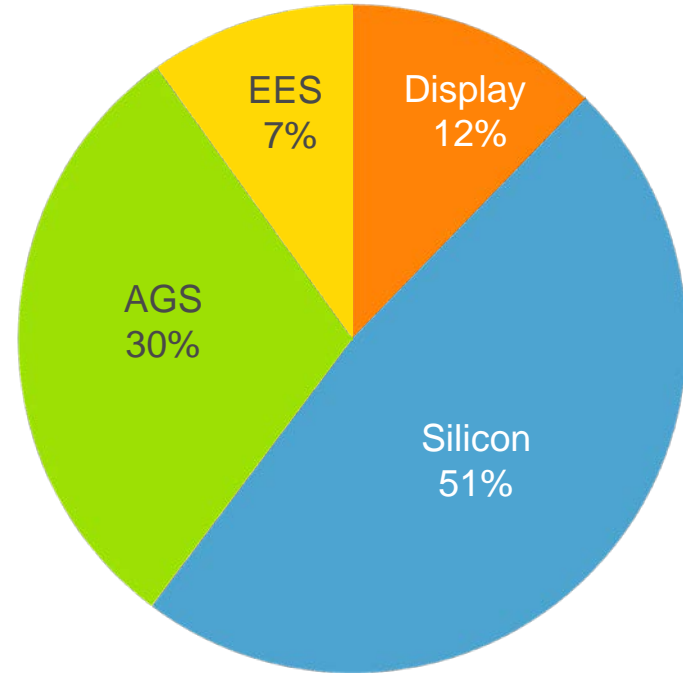


New Orders
\$1.80 Billion

Backlog by Segment



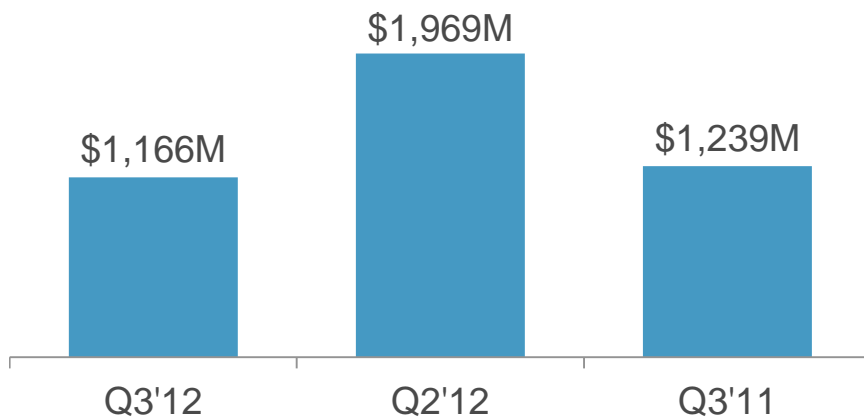
Q3 FY'12
\$1.82 Billion



Q2 FY'12
\$2.37 Billion

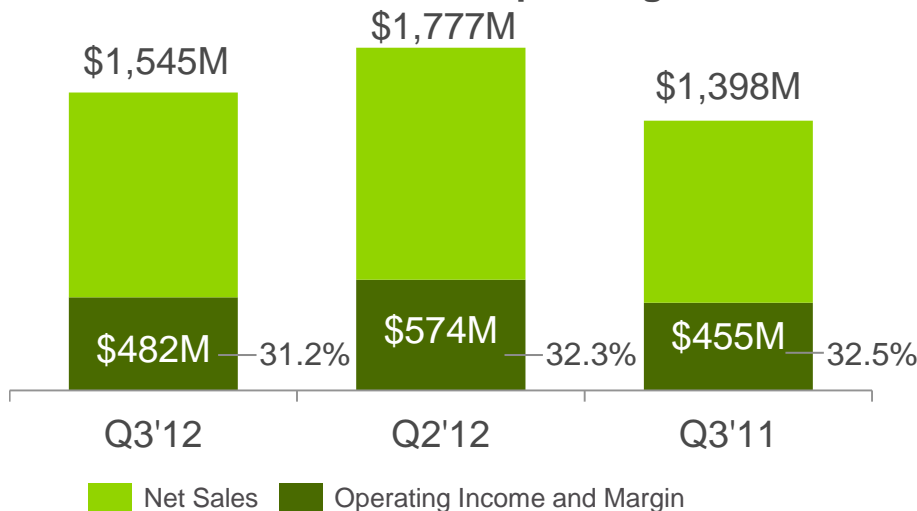
Silicon Systems Group Segment

New Orders



- Orders were \$1.17B, down 41% QoQ
 - Primarily due to lower demand from foundry & logic customers
- Net sales were \$1.55B, down 13% QoQ
- Non-GAAP operating income of \$482M or 31.2% of net sales*

Net Sales & Non-GAAP Operating Income*

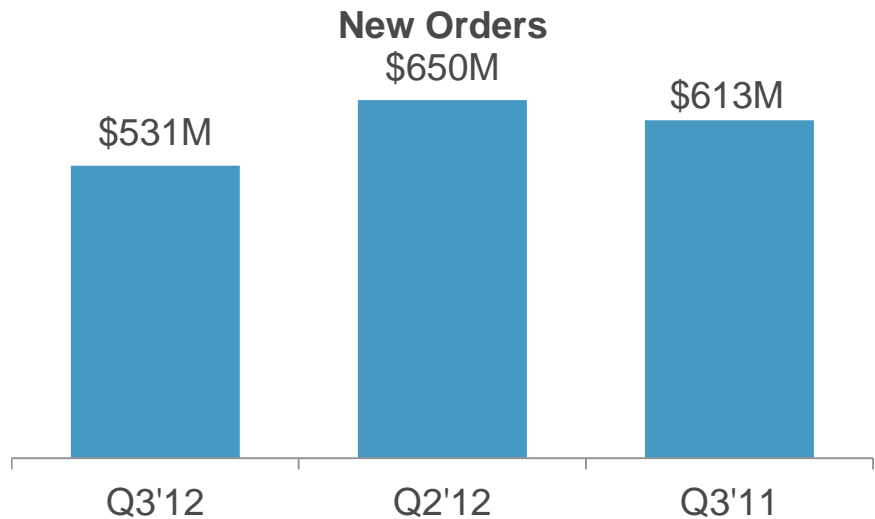


Q3'12 ORDERS BY CUSTOMER SEGMENT

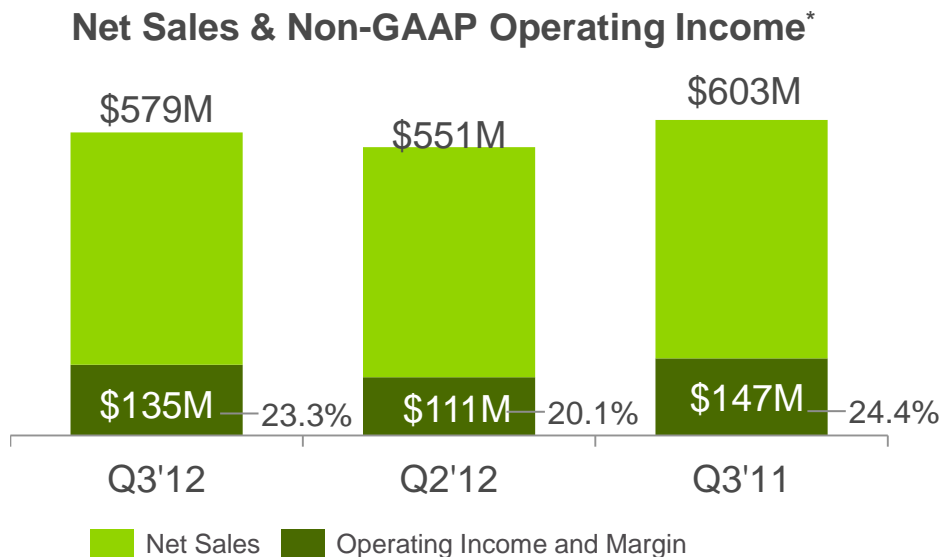
Foundry	DRAM	Flash	Logic & Others
58%	10%	19%	13%

* See slide 23 for reconciliation of GAAP to non-GAAP measures

Applied Global Services Segment



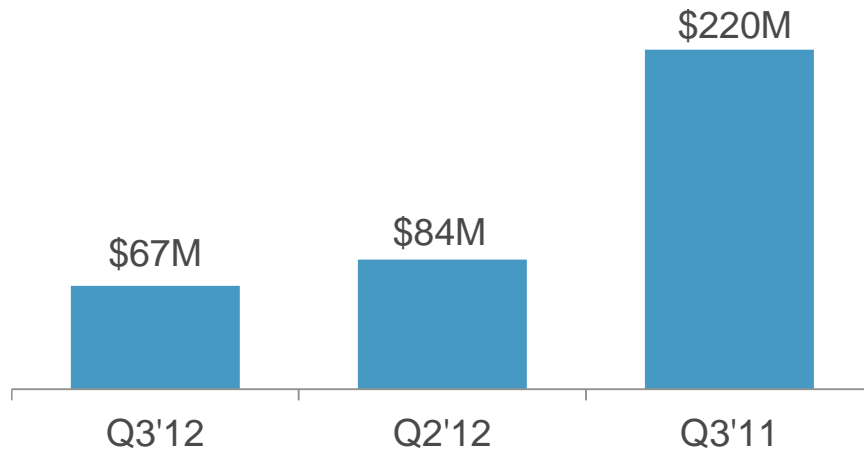
- Orders were \$531M, down 18% QoQ
 - Prior quarter benefited from a thin film production line order
- Net sales were \$579M, up 5% QoQ
- Non-GAAP operating income of \$135M or 23.3% of net sales*



* See slide 24 for reconciliation of GAAP to non-GAAP measures

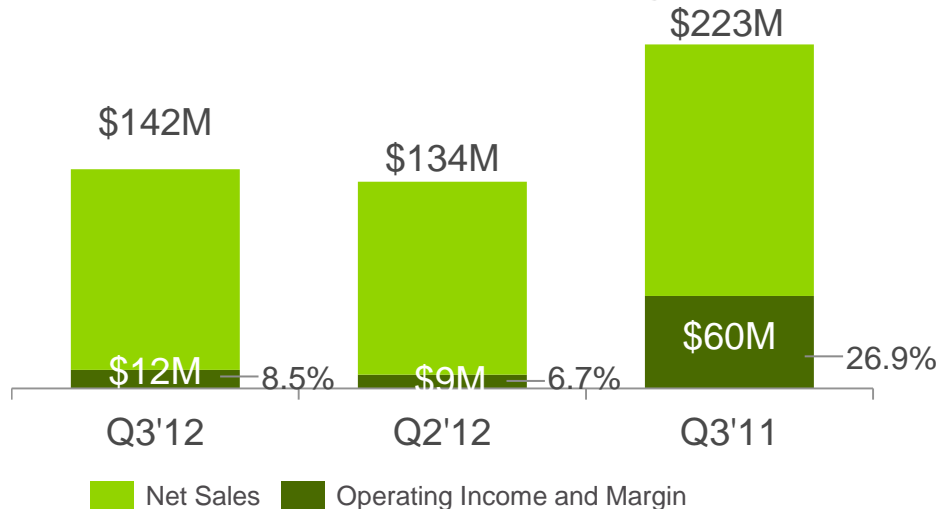
Display Segment

New Orders



- Orders were \$67M
 - Down 20% from prior quarter
- Net sales were \$142M, up 6% QoQ
- Non-GAAP operating income of \$12M or 8.5% of net sales*

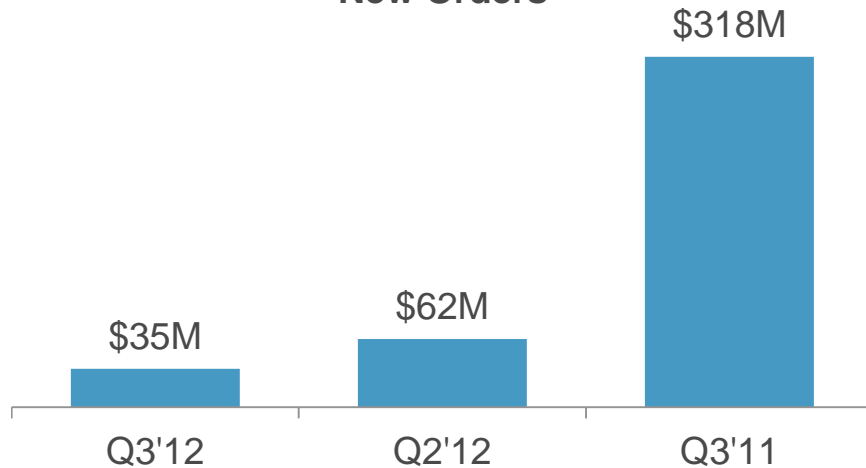
Net Sales & Non-GAAP Operating Income*



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

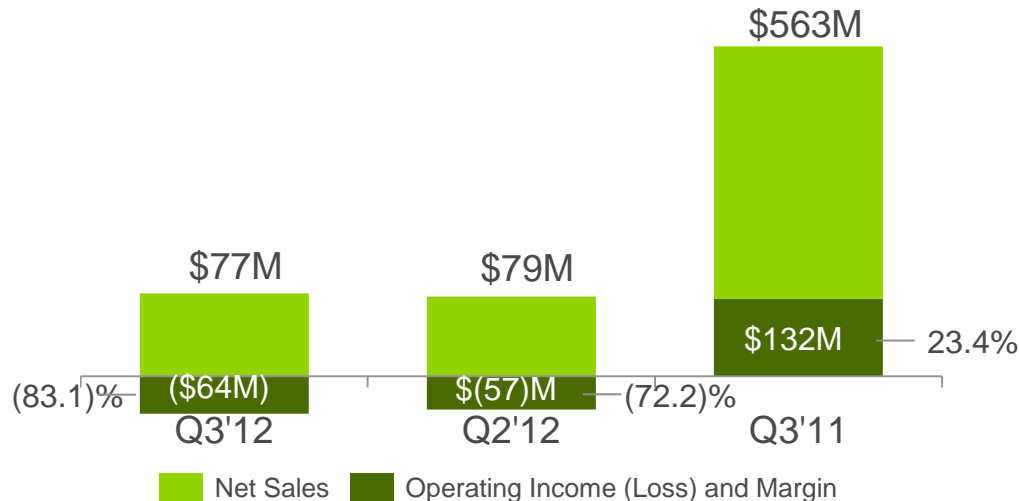
Energy & Environmental Solutions Segment

New Orders



- Orders were \$35M
 - Down 44% from prior quarter
- Net sales were \$77M, down 3% QoQ
- Non-GAAP operating loss of \$64M*

Net Sales & Non-GAAP Operating Income (Loss)*



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

Q4'12 Expectations (as of Aug 15, 2012)

Net Sales	Down 40% to 25% from Q3'12
Non-GAAP EPS[*]	\$0.00 to \$0.06

- * Excludes known charges related to completed acquisitions of approximately \$0.05 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q3'12 earnings release. See slide 28 for reconciliation of GAAP to non-GAAP measures

Reconciliation of GAAP to Non-GAAP Results (unaudited)

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except per share amounts and percentages)</i>					
<u>Non-GAAP Gross Margin</u>					
Reported gross margin (GAAP basis)	930	\$ 1,011	1,184	2,726	3,509
Certain items associated with acquisitions ¹	44	59	9	209	27
Non-GAAP gross margin	\$ 974	\$ 1,070	\$ 1,193	\$ 2,935	\$ 3,536
Non-GAAP gross margin percent (% of net sales)	41.6%	42.1%	42.8%	41.5%	42.4%
<u>Non-GAAP Operating Income</u>					
Reported operating income (GAAP basis)	\$ 322	\$ 409	\$ 687	\$ 910	\$ 2,037
Certain items associated with acquisitions ¹	57	71	12	242	37
Varian integration and deal costs	8	10	9	70	9
Restructuring charges and asset impairments ^{2, 3, 4}	44	—	3	44	(30)
Gain on sale of facilities, net	—	—	(28)	—	(27)
Non-GAAP operating income	\$ 431	\$ 490	\$ 683	\$ 1,266	\$ 2,026
Non-GAAP operating margin percent (% of net sales)	18.4%	19.3%	24.5%	17.9%	24.3%
<u>Non-GAAP Net Income</u>					
Reported net income (GAAP basis)	\$ 218	\$ 289	\$ 476	\$ 624	\$ 1,471
Certain items associated with acquisitions ¹	57	71	12	242	37
Varian integration and deal costs	8	10	9	70	9
Restructuring charges and asset impairments ^{2, 3, 4}	44	—	3	44	(30)
Impairment of strategic investments	—	3	—	3	—
Gain on sale of facilities, net	—	—	(28)	—	(27)
Reinstatement of federal R&D tax credit	—	—	—	—	(13)
Resolution of audits of prior years' income tax filings	(10)	(7)	—	(17)	—
Income tax effect of non-GAAP adjustments	(17)	(17)	(5)	(77)	5
Non-GAAP net income	\$ 300	\$ 349	\$ 467	\$ 889	\$ 1,452
<u>Non-GAAP Earnings Per Diluted Share</u>					
Reported earnings per diluted share (GAAP basis)	\$ 0.17	\$ 0.22	\$ 0.36	\$ 0.48	\$ 1.10
Certain items associated with acquisitions	0.04	0.05	0.01	0.15	0.02
Varian integration and deal costs	0.01	—	—	0.04	0.01
Restructuring charges and asset impairments	0.03	—	—	0.03	(0.01)
Gain on sale of facilities, net	—	—	(0.02)	—	(0.02)
Reinstatement of federal R&D tax credit and resolution of audits of prior years' income tax filings	(0.01)	—	—	(0.01)	(0.01)
Non-GAAP earnings per diluted share	\$ 0.24	\$ 0.27	\$ 0.35	\$ 0.69	\$ 1.09
Weighted average number of diluted shares	1,268	1,301	1,330	1,292	1,333

- 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 nine months ended July 29, 2012 included severance and other charges of \$24 million and asset impairment charges of \$11 million related to the restructuring program announced on May 10, 2012 and severance charges of \$9 million related to Varian integration..
- 3 Results for the three months ended July 31, 2011 included asset impairment charges of \$3 million related to certain fixed assets.
- 4 Results for the nine months ended July 31, 2011 included 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, partially offset by asset impairment charges of \$30 million primarily related to certain fixed and intangible assets.

Integration and Deal Costs and Certain Items Associated with Acquisitions*

<i>(In millions)</i>	Three Months Ended		
	<u>July 29, 2012</u>	<u>April 29, 2012</u>	<u>July 31, 2011</u>
Integration and deal costs and certain items associated with acquisitions			
Cost of products sold	\$ 44	\$ 59	\$ 9
Research, development and engineering	1	2	-
Selling, general and administrative	20	20	12
Total	<u>\$ 65</u>	<u>\$ 81</u>	<u>\$ 21</u>

* Details to amounts shown on slide 19 for Integration and deal costs and certain items associated with acquisitions

Reconciliation of GAAP to Non-GAAP

Gross Margin (Consolidated)

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 2,343	\$ 2,541	\$ 2,787	\$ 7,073	\$ 8,336
Gross margin (GAAP basis)	\$ 930	\$ 1,011	\$ 1,184	\$ 2,726	\$ 3,509
Certain items associated with acquisitions	44	59	9	209	27
Non-GAAP gross margin	\$ 974	\$ 1,070	\$ 1,193	\$ 2,935	\$ 3,536
GAAP gross margin (% of net sales)	39.7%	39.8%	42.5%	38.5%	42.1%
Non-GAAP gross margin (% of net sales)	41.6%	42.1%	42.8%	41.5%	42.4%

Reconciliation of GAAP to Non-GAAP Operating Expenses

Three Months Ended

July 29, 2012

(In millions)

Operating expenses (GAAP basis)	\$	608
Certain items associated with acquisitions		(13)
Varian integration and deal costs		(8)
Restructuring and asset impairment		(44)
Non-GAAP operating expenses	\$	543

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 1,545	\$ 1,777	\$ 1,398	\$ 4,666	\$ 4,348
Operating income (GAAP basis)	\$ 427	\$ 504	\$ 452	\$ 1,202	\$ 1,486
Certain items associated with acquisitions	47	61	3	208	8
Varian integration costs	7	9	-	31	-
Restructuring charges and asset impairments	1	-	-	1	-
Non-GAAP operating income	\$ 482	\$ 574	\$ 455	\$ 1,442	\$ 1,494
GAAP operating margin (% of net sales)	27.6%	28.4%	32.3%	25.8%	34.2%
Non-GAAP operating margin (% of net sales)	31.2%	32.3%	32.5%	30.9%	34.4%

Reconciliation of GAAP to Non-GAAP

AGS Operating Margin

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 579	\$ 551	\$ 603	\$ 1,664	\$ 1,784
Operating income (GAAP basis)	\$ 122	\$ 109	\$ 146	\$ 338	\$ 322
Certain items associated with acquisitions	2	2	1	10	5
Restructuring charges and asset impairments	11	-	-	11	24
Non-GAAP operating income	\$ 135	\$ 111	\$ 147	\$ 359	\$ 351
GAAP operating margin (% of net sales)	21.1%	19.8%	24.2%	20.3%	18.0%
Non-GAAP operating margin (% of net sales)	23.3%	20.1%	24.4%	21.6%	19.7%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 142	\$ 134	\$ 223	\$ 380	\$ 528
Operating income (GAAP basis)	\$ 10	\$ 7	\$ 58	\$ 23	\$ 116
Certain items associated with acquisitions	2	2	2	6	6
Non-GAAP operating income	\$ 12	\$ 9	\$ 60	\$ 29	\$ 122
GAAP operating margin (% of net sales)	7.0%	5.2%	26.0%	6.1%	22.0%
Non-GAAP operating margin (% of net sales)	8.5%	6.7%	26.9%	7.6%	23.1%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

	Three Months Ended			Nine Months Ended	
	July 29, 2012	April 29, 2012	July 31, 2011	July 29, 2012	July 31, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	<u>\$ 77</u>	<u>\$ 79</u>	<u>\$ 563</u>	<u>\$ 363</u>	<u>\$ 1,676</u>
Operating income (loss) (GAAP basis)	\$ (102)	\$ (63)	\$ 123	\$ (188)	\$ 436
Certain items associated with acquisitions	6	6	6	18	18
Restructuring charges and asset impairments	32	-	3	32	(33)
Non-GAAP operating income (loss)	<u>\$ (64)</u>	<u>\$ (57)</u>	<u>\$ 132</u>	<u>\$ (138)</u>	<u>\$ 421</u>
GAAP operating margin (% of net sales)	-132.5%	-79.7%	21.8%	-51.8%	26.0%
Non-GAAP operating margin (% of net sales)	-83.1%	-72.2%	23.4%	-38.0%	25.1%

Reconciliation of GAAP to Non-GAAP Effective Tax Rate

Three Months Ended
July 29, 2012

(In millions, except percentages)

Provision for income taxes (GAAP basis)	\$ 84
Income tax effect of non-GAAP adjustments	17
Resolutions from audits of prior years' income tax filings	10
Non-GAAP provision for income taxes	\$ 111
Income before income taxes (GAAP basis)	\$ 302
Certain items associated with acquisitions	57
Varian integration and deal costs	8
Restructuring and asset impairment	44
Non-GAAP income before income taxes	\$ 411
GAAP effective income tax rate	27.8%
Non-GAAP effective income tax rate	27.0%

Reconciliation of Forecasted Non-GAAP EPS – 4Q FY'12

	Three Months Ended October 28, 2012
	Forecasted
Forecasted earnings (loss) per share (GAAP basis)	\$(0.05) - \$0.01
Known charges related to completed acquisitions	\$0.05
Forecasted non-GAAP EPS three months ended October 28, 2012	<u>\$0.00 - \$0.06</u>

The forecast does not exclude other adjustments that may arise subsequent to Q3'12 earnings release



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