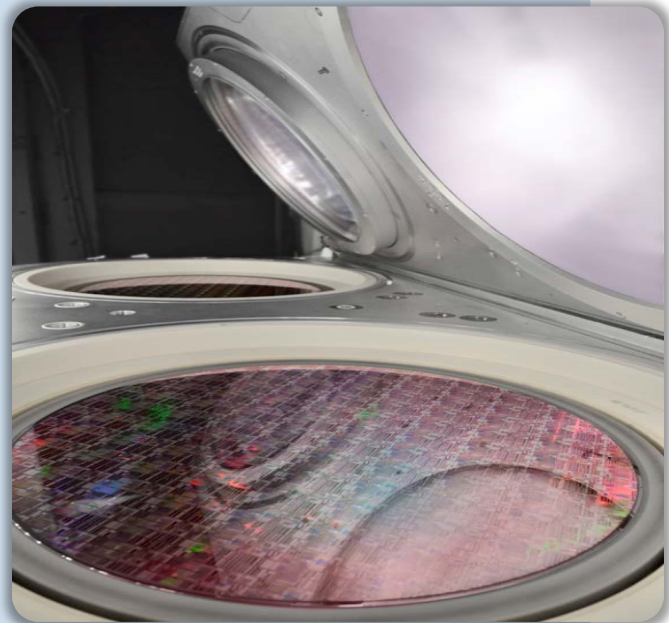




First Quarter 2012 Earnings Call Highlights

February 16, 2012

Applied's Producer® Nanocure™ 3 UV system enables the industry's leading low-k dielectric films, critical for today's power-efficient mobile devices.



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, and Q2'12 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's operations, product lines, technology and employees and realize synergies, (iii) timely align its cost structure with business conditions, (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 February 16, 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

- Q1 FY'12 highlights
- Q1 FY'12 financial summary (consolidated)
- Reporting segments
- Q2 FY'12 expectations
- GAAP to non-GAAP reconciliations

Q1'12 Highlights

- Net sales and earnings above the high end of expectations
- Orders of \$2.01B and net sales of \$2.19B
- Non-GAAP operating income was \$344M;
GAAP operating income was \$179M*
- Non-GAAP net income was \$240M;
GAAP net income was \$117M*
- Non-GAAP EPS of \$0.18; GAAP EPS of \$0.09*
- Paid cash dividends of \$104M,
used \$200M to repurchase over 18M shares
- Results include Varian's operations for the full period

* See slides 19 for reconciliations of GAAP to non-GAAP measures

Q1'12 Income Statement Summary (consolidated)

New orders: \$2.01B – up 26% from Q4'11
– Led by Silicon Systems Group order growth of 53%

Backlog: \$2.16B – down 10% from Q4'11
– Decrease of \$230M

Net sales: \$2.19B – flat with Q4'11

Non-GAAP Gross margin: 40.7% – up 1.2 percentage point from Q4'11*

Non-GAAP Operating income/margin: \$344M or 15.7% of net sales

Effective tax rate was 26.4%

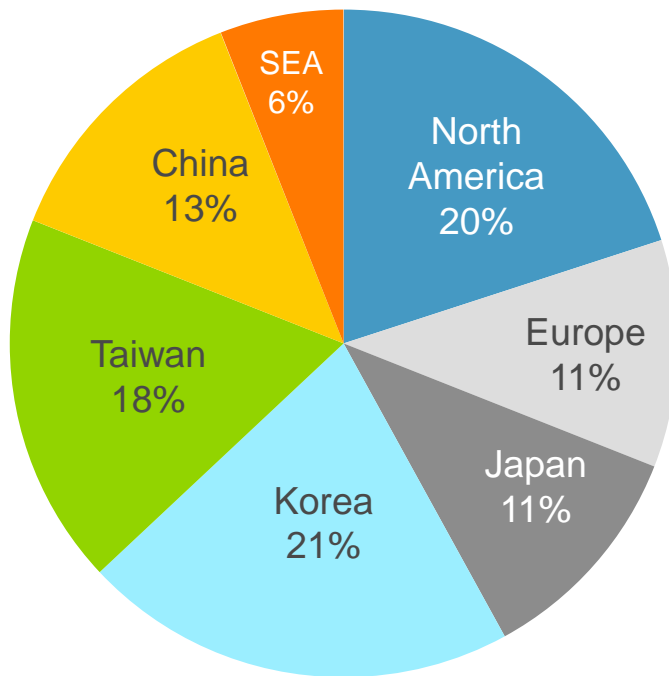
Non-GAAP net income of \$240M or \$0.18 per diluted share*

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

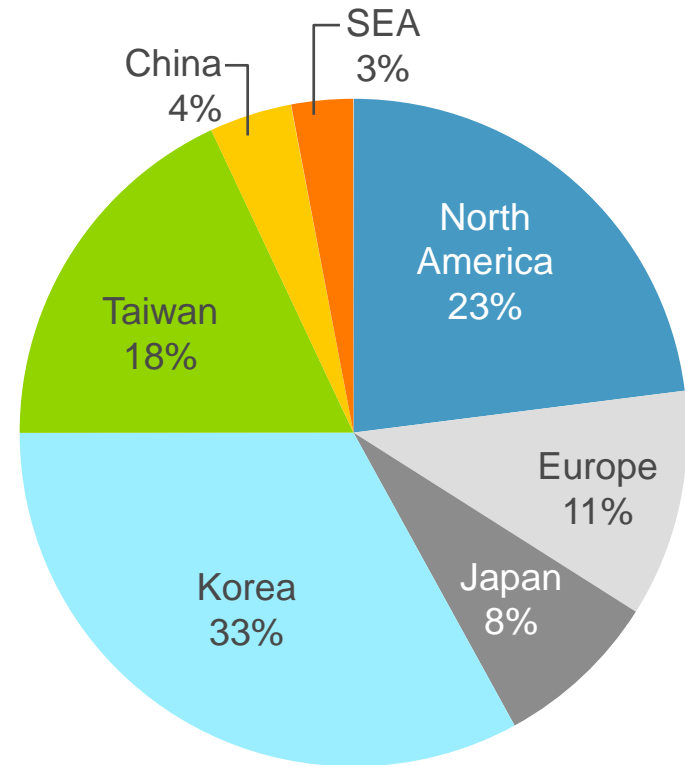
Summary Income Statement (consolidated)

Unaudited \$ Amounts in Millions Except EPS	Q1'12	Q4'11	Q1'11
New Orders	\$2,008	\$1,595	\$2,971
Net Sales	\$2,189	\$2,182	\$2,686
Gross Margin	35.9%	39.0%	42.3%
RD&E	13.9%	12.3%	10.0%
SG&A	13.8%	10.2%	8.2%
Operating Margin	8.2%	16.5%	25.1%
Net Income	\$117	\$456	\$506
Net Income %	5.3%	20.9%	18.9%
EPS	\$0.09	\$0.34	\$0.38

New Orders Regional Distribution (consolidated)

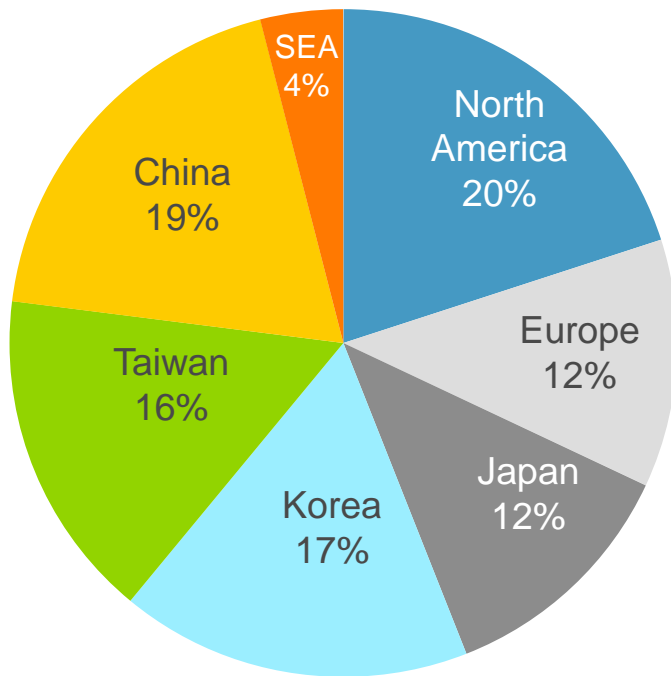


Q4 FY'11
\$1.60 Billion

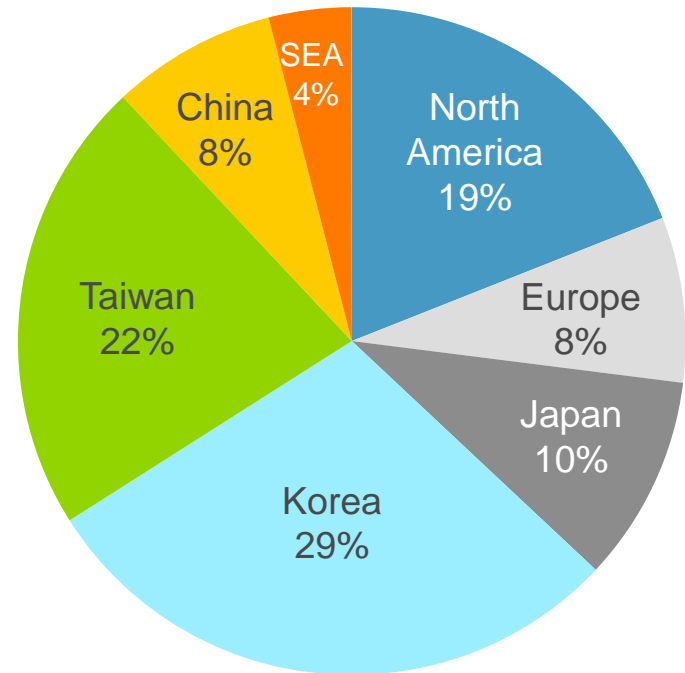


Q1 FY'12
\$2.01 Billion

Net Sales Regional Distribution (consolidated)



Q4 FY'11
\$2.18 Billion



Q1 FY'12
\$2.19 Billion

Q1'12 Balance Sheet Summary (consolidated)

Cash/cash equivalents and investments decreased ~\$4.2B to \$2.95B

- Primarily due to acquisition of Varian Semiconductor Equipment for approx. \$4.2B, net of cash acquired

Inventory: \$1.77B – up \$71 million from Q4'11

DSO*: 66 days, compared to 64 days in Q4'11

Capital spending: \$37M

Depreciation and amortization: \$112M

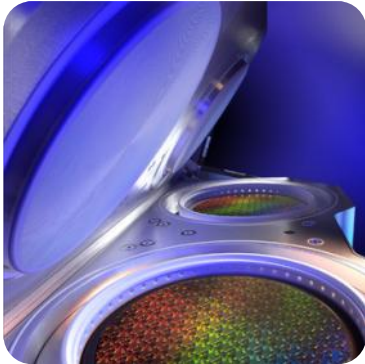
Headcount: ~14,600 regular employees (excluding temporary and interns)

* Days Sales Outstanding

Summary Balance Sheet

Unaudited \$ Amounts in Millions except EPS	Q1'12	Q4'11	Q1'11
Cash, Cash Equivalents & Investments	\$2,952	\$7,174	\$4,097
Accounts Receivables, Net	\$1,576	\$1,532	\$1,946
Inventories	\$1,772	\$1,701	\$1,647
Property, Plant & Equip., Net	\$956	\$866	\$893
Total Assets	\$13,597	\$13,861	\$11,274
Long-term Debt	\$1,947	\$1,947	\$204
Total Stockholders' Equity	\$8,650	\$8,800	\$7,839
Current Ratio	2.5	3.7	2.5
Total Debt / Capital Ratio	18.4%	18.1%	2.6%

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

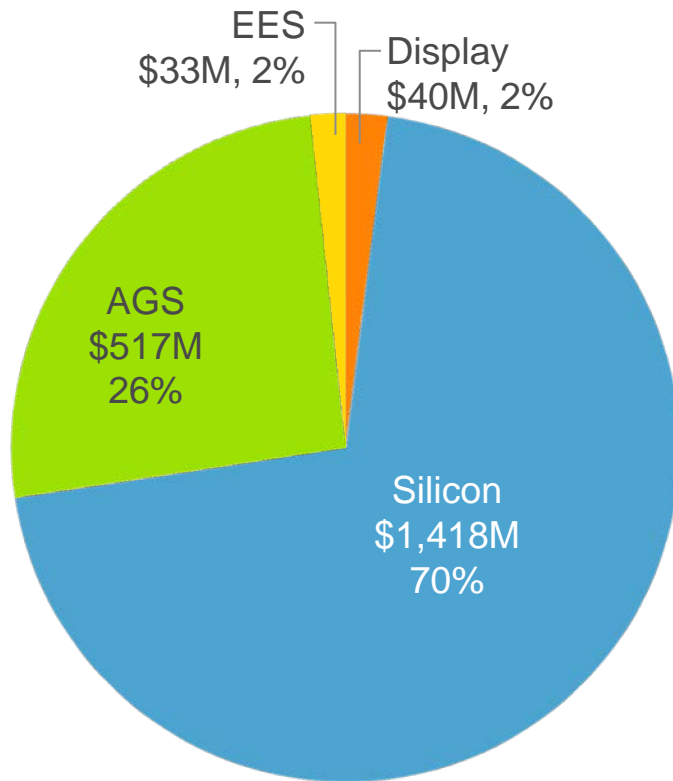


ENERGY & ENVIRONMENTAL SOLUTIONS

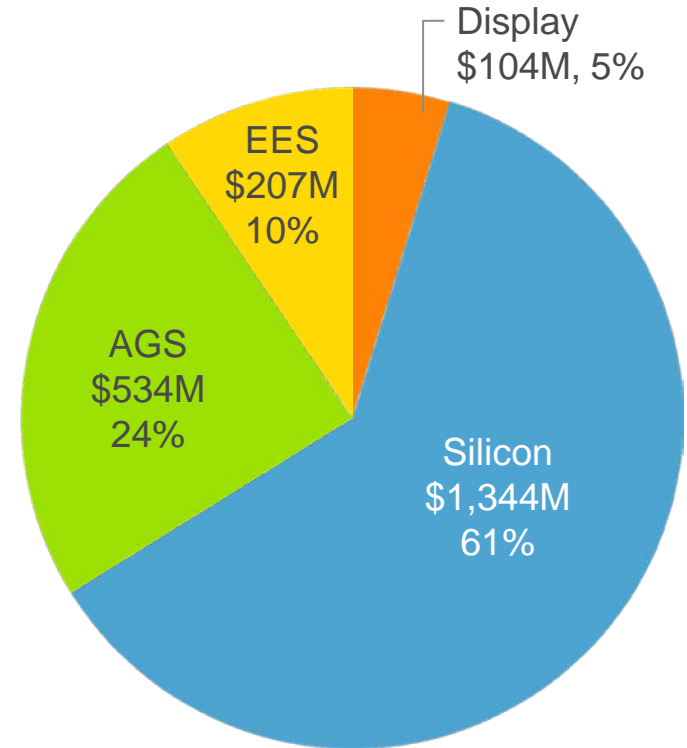
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q1'12 New Orders & Net Sales by Segment

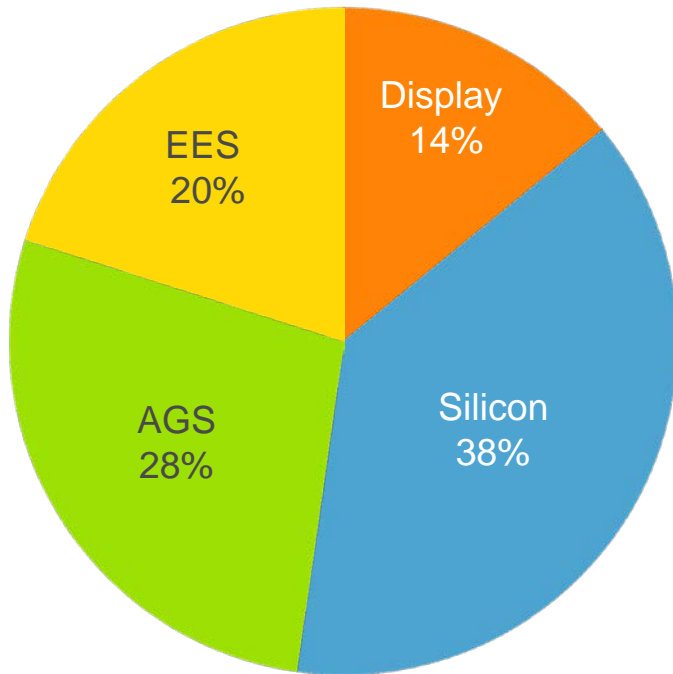


New Orders
\$2.01 Billion

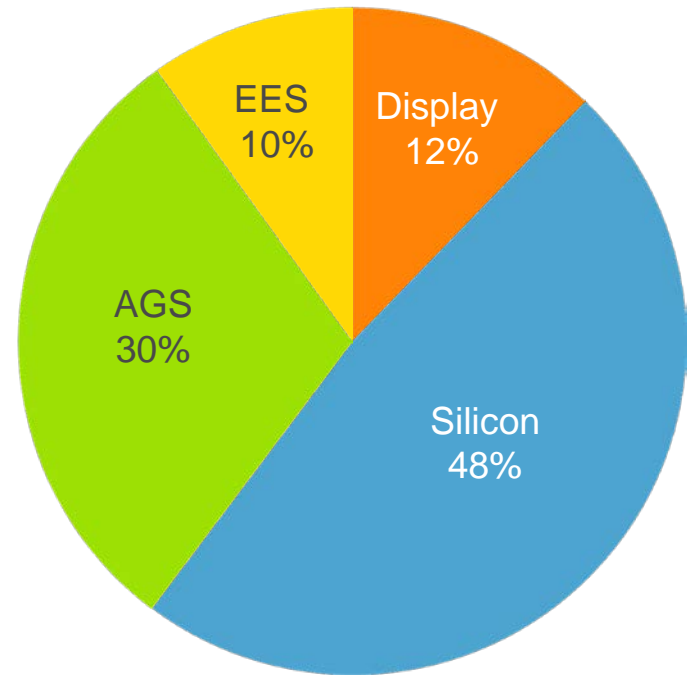


Net Sales
\$2.19 Billion

Backlog by Segment



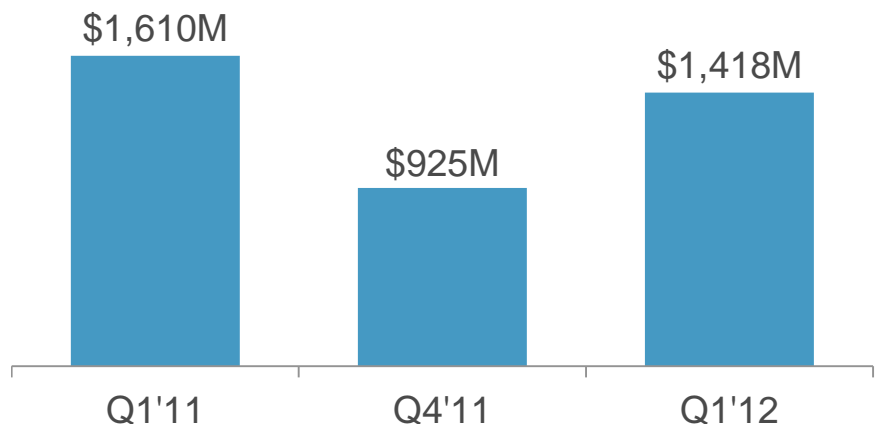
Q4 FY'11
\$2.39 Billion



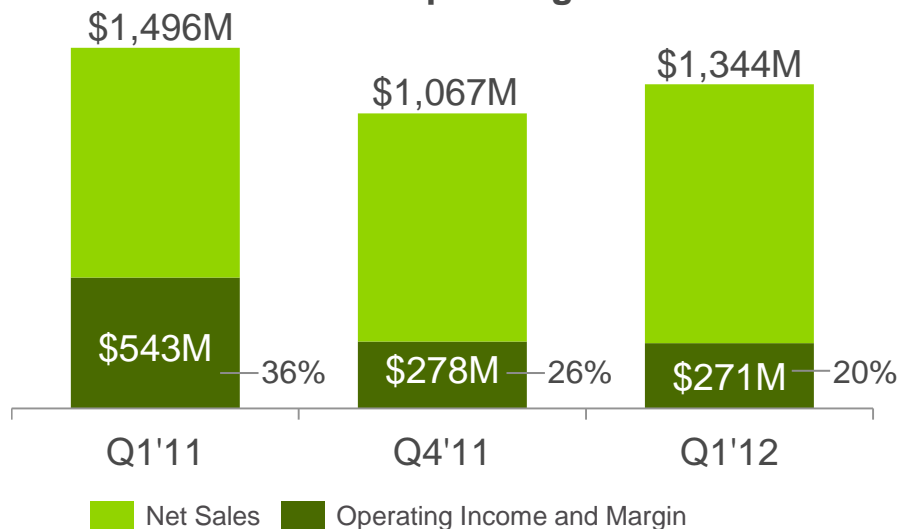
Q1 FY'12
\$2.20 Billion

Silicon Systems Group Segment

New Orders



Net Sales & Operating Income



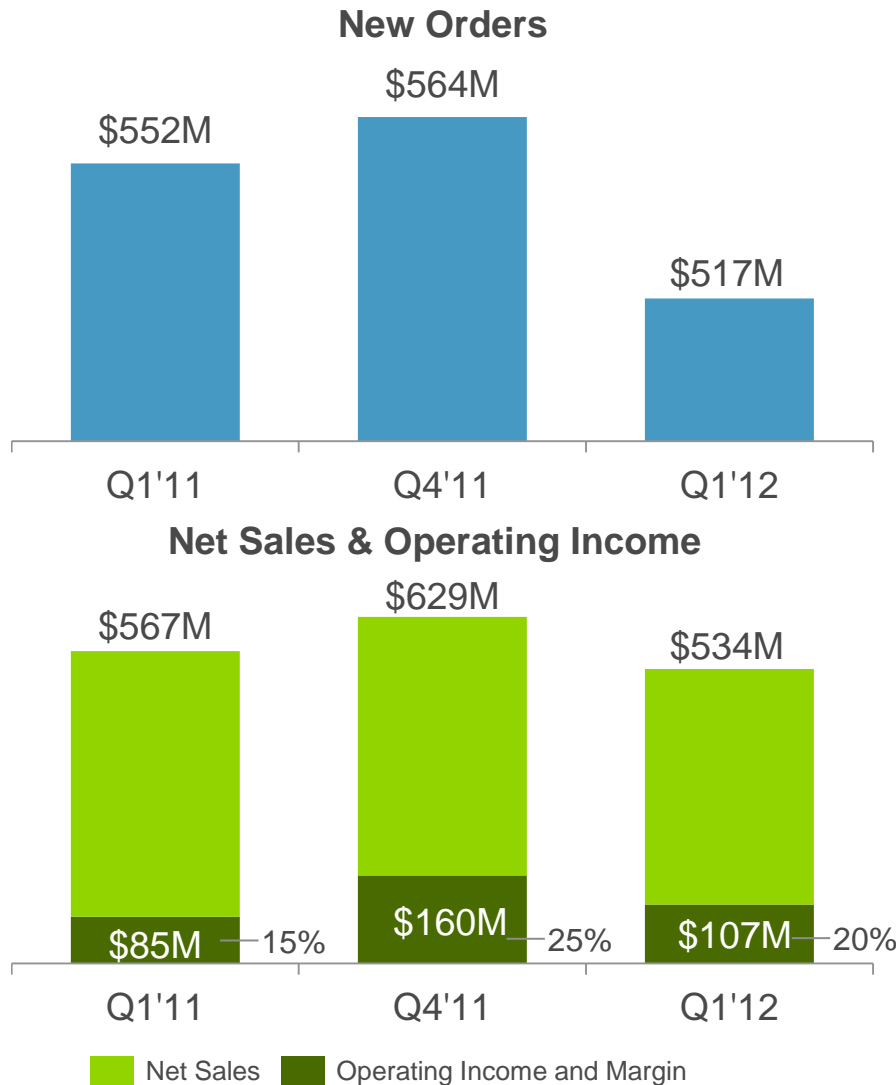
- Orders were \$1.42B, up 53% QoQ
 - Reflects increased demand in foundry and addition of Varian business
- Net sales were \$1.34B, up 26% QoQ
- Non-GAAP Operating income of \$386M or 29% of net sales*

Q1'12 ORDERS BY CUSTOMER SEGMENT

Foundry	DRAM	Flash	Logic & Others
57%	10%	19%	14%

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

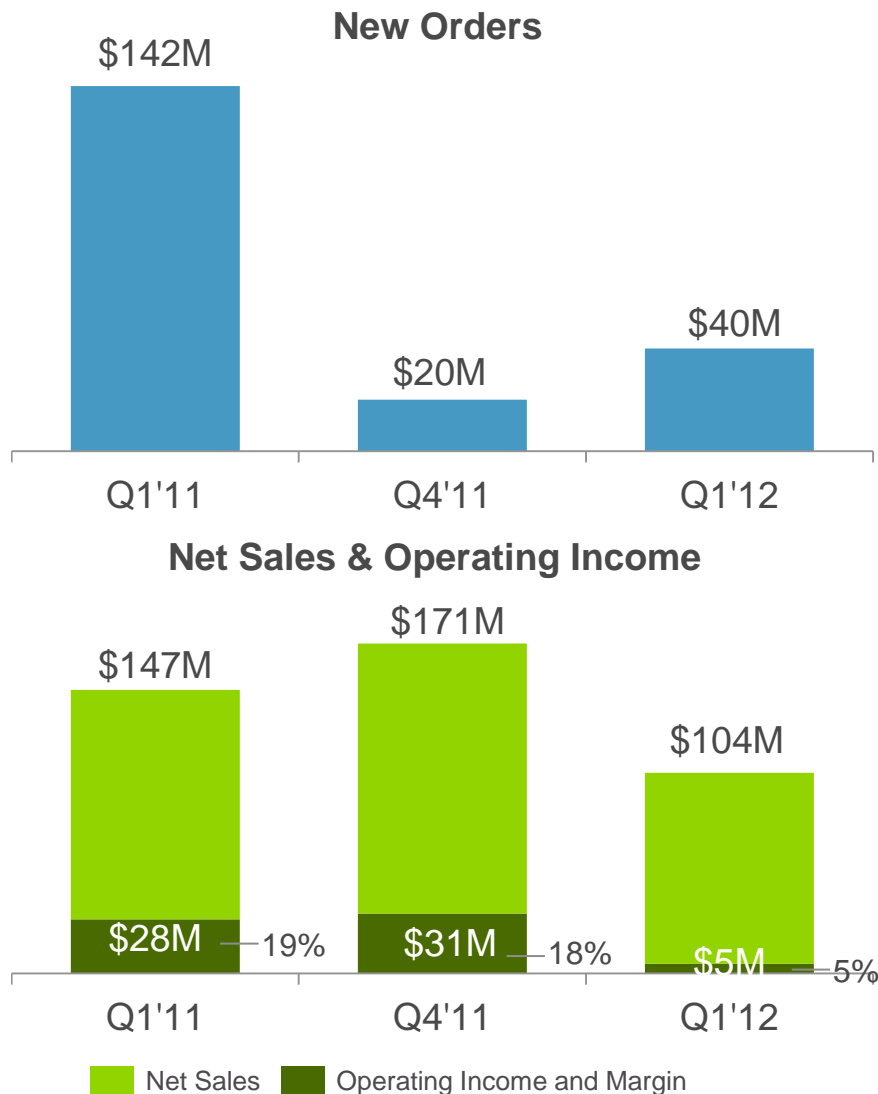
Applied Global Services Segment



- Orders were \$517M, down 8% QoQ
- Net sales were \$534M, down 15% QoQ
- Non-GAAP Operating income of \$113M or 21% of net sales*
 - Reflects decrease in net sales

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

Display Segment

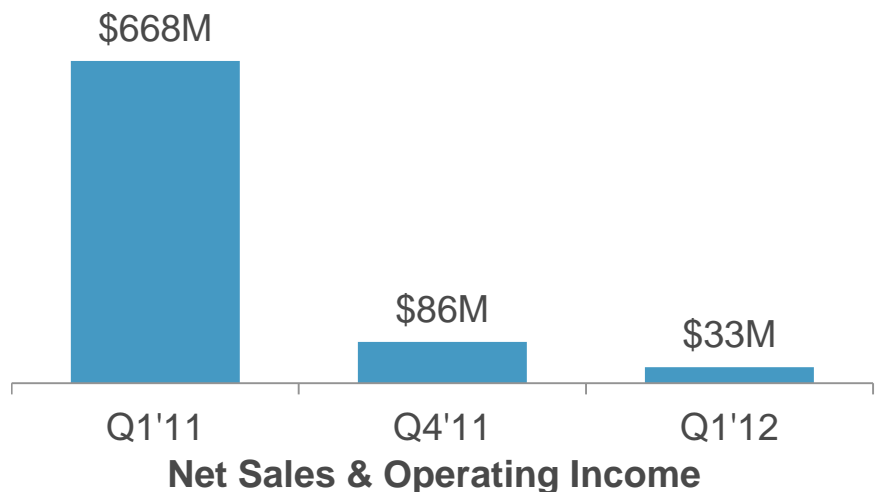


- Orders were \$40M
 - Reflects ongoing weakness in LCD TV equipment demand
- Net sales were \$104M, down 39% QoQ
- Non-GAAP Operating income of \$7M or 7% of net sales*
 - Driven by decrease in net sales

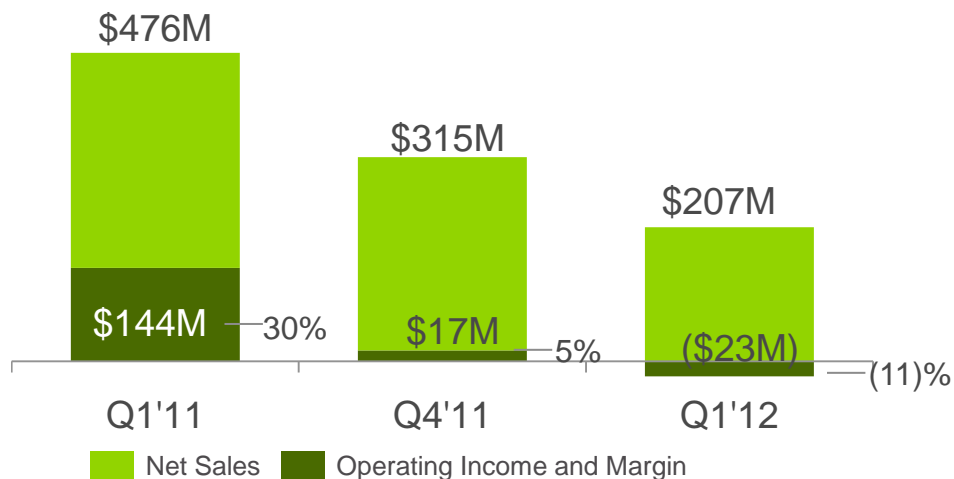
* See slide 25 for reconciliation of GAAP to non-GAAP measures

Energy & Environmental Solutions Segment

New Orders



- Orders were \$33M, down 62% QoQ
 - Reflects solar industry overcapacity
- Net sales were \$207M, down 34% QoQ
- Non-GAAP Operating loss of \$17M*



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

Q2'12 Expectations

(As of February 16, 2012)

Net Sales	Up 5 -15% from Q1'12
Non-GAAP EPS*	\$0.20 to \$0.28

* 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 Q1'12 earnings release. See slide 27 for non-GAAP EPS reconciliation

Reconciliation of GAAP to Non-GAAP Results

	Three Months Ended		
	January 29, 2012	October 30, 2011	January 30, 2011
<i>(In millions, except per share amounts)</i>			
Non-GAAP Gross Margin			
Reported gross margin (GAAP basis)	\$ 786	\$ 852	\$ 1,136
Certain items associated with acquisitions ¹	104	10	9
Non-GAAP gross margin	\$ 890	\$ 862	\$ 1,145
Non-GAAP Operating Income			
Reported operating income (GAAP basis)	\$ 179	\$ 361	\$ 674
Certain items associated with acquisitions ¹	142	13	13
Varian deal cost	23	10	—
Restructuring charges and asset impairments ²	—	—	(29)
Loss on sale of facility	—	—	1
Non-GAAP operating income	\$ 344	\$ 384	\$ 659
Non-GAAP Net Income			
Reported net income (GAAP basis)	\$ 117	\$ 456	\$ 506
Certain items associated with acquisitions ¹	142	13	13
Varian deal cost	23	10	—
Restructuring charges and asset impairments ²	—	—	(29)
Impairment of strategic investments	—	3	—
Loss on sale of facility	—	—	1
Reinstatement of federal R&D tax credit	—	—	(13)
Resolution of audits of prior years' income tax filings	—	(203)	—
Income tax effect of non-GAAP adjustments	(42)	(8)	6
Non-GAAP net income	\$ 240	\$ 271	\$ 484
Non-GAAP Earnings Per Diluted Share			
Reported earnings per diluted share (GAAP basis)	\$ 0.09	\$ 0.34	\$ 0.38
Certain items associated with acquisitions	0.08	0.01	0.01
Varian deal cost	0.01	0.01	—
Restructuring charges and asset impairments	—	—	(0.01)
Reinstatement of federal R&D tax credit and resolution of audits of prior years' income tax filings	—	(0.15)	(0.01)
Non-GAAP earnings per diluted share	\$ 0.18	\$ 0.21	\$ 0.36
Weighted average number of diluted shares	1,310	1,321	1,335

¹ These items are incremental charges attributable to acquisitions, consisting of inventory fair value adjustments on products sold, amortization of purchased intangible assets, shared-based compensation associated with accelerated vesting and other integration costs.

² 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 adjustment \$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.

Details of Deal Costs and Certain Items Associated with Acquisitions*

APPLIED MATERIALS, INC.

DEAL COSTS AND CERTAIN ITEMS ASSOCIATED WITH ACQUISITIONS

	Three Months Ended		
	<u>January 29, 2012</u>	<u>October 30, 2011</u>	<u>January 30, 2011</u>
Deal costs and certain items associated with acquisitions	(in millions)		
Cost of products sold	\$ 104	\$ 10	\$ 9
Research, development and engineering	1	-	-
General and administrative	49	10	-
Marketing and selling	11	3	4
Total	<u>\$ 165</u>	<u>\$ 23</u>	<u>\$ 13</u>

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

Reconciliation of GAAP to Non-GAAP Gross Margin (Consolidated)

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP GROSS MARGIN

	Three Months Ended		
	January 29, 2012 (in millions)	October 30, 2011 (in millions)	January 30, 2011 (in millions)
Net sales (GAAP basis)	\$ 2,189	\$ 2,182	\$ 2,686
Gross margin (GAAP basis)	\$ 786	\$ 852	\$ 1,136
Certain items associated with acquisitions	104	10	9
Non-GAAP gross margin	\$ 890	\$ 862	\$ 1,145
GAAP gross margin (% of net sales)	35.9%	39.0%	42.3%
Non-GAAP gross margin (% of net sales)	40.7%	39.5%	42.6%

Reconciliation of GAAP to Non-GAAP Operating Expenses

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES

	Three Months Ended January 29, 2012
	Reported (in millions)
Reported operating expenses (GAAP basis)	\$ 607
Certain items associated with acquisitions	(38)
Varian deal cost	(23)
Non-GAAP operating expenses	<u><u>\$ 546</u></u>

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP SSG OPERATING MARGIN

	Three Months Ended		
	January 29, 2012 (in millions)	October 30, 2011 (in millions)	January 30, 2011 (in millions)
Net sales (GAAP basis)	\$ 1,344	\$ 1,067	\$ 1,496
Operating income (GAAP basis)	\$ 271	\$ 278	\$ 543
Certain items associated with acquisitions	115	3	3
Varian deal cost	-	3	-
Non-GAAP operating income	<u>\$ 386</u>	<u>\$ 284</u>	<u>\$ 546</u>
GAAP operating margin (% of net sales)	20.2%	26.1%	36.3%
Non-GAAP operating margin (% of net sales)	28.7%	26.6%	36.5%

Reconciliation of GAAP to Non-GAAP AGS Operating Margin

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP AGS OPERATING MARGIN

	Three Months Ended		
	January 29, 2012 (in millions)	October 30, 2011 (in millions)	January 30, 2011 (in millions)
Net sales (GAAP basis)	\$ 534	\$ 629	\$ 567
Operating income (GAAP basis)	\$ 107	\$ 160	\$ 85
Certain items associated with acquisitions	6	2	2
Non-GAAP operating income	\$ 113	\$ 162	\$ 87
GAAP operating margin (% of net sales)	20.0%	25.4%	15.0%
Non-GAAP operating margin (% of net sales)	21.2%	25.7%	15.3%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP DISPLAY OPERATING MARGIN

	Three Months Ended		
	January 29, 2012 (in millions)	October 30, 2011 (in millions)	January 30, 2011 (in millions)
Net sales (GAAP basis)	\$ 104	\$ 171	\$ 147
Operating income (GAAP basis)	\$ 5	\$ 31	\$ 28
Certain items associated with acquisitions	2	2	2
Non-GAAP operating income	\$ 7	\$ 33	\$ 30
GAAP operating margin (% of net sales)	4.8%	18.1%	19.0%
Non-GAAP operating margin (% of net sales)	6.7%	19.3%	20.4%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP EES OPERATING MARGIN

	Three Months Ended		
	<u>January 29, 2012</u> (in millions)	<u>October 30, 2011</u> (in millions)	<u>January 30, 2011</u> (in millions)
Net sales (GAAP basis)	\$ 207	\$ 315	\$ 476
Operating income (loss) (GAAP basis)	\$ (23)	\$ 17	\$ 144
Certain items associated with acquisitions	6	6	6
Restructuring charges and asset impairments	-	-	(28)
Non-GAAP operating income (loss)	<u>\$ (17)</u>	<u>\$ 23</u>	<u>\$ 122</u>
GAAP operating margin (% of net sales)	-11.1%	5.4%	30.3%
Non-GAAP operating margin (% of net sales)	-8.2%	7.3%	25.6%

Reconciliation of Forecasted Non-GAAP EPS

APPLIED MATERIALS, INC.
RECONCILIATION OF FORECASTED NON-GAAP EPS

	Three Months Ended April 29, 2012
	Forecasted
Forecasted EPS (GAAP basis)	\$0.15 - \$0.23
Known charges related to completed acquisitions	\$0.05
Forecasted non-GAAP EPS three months ended April 29, 2012	<u>\$0.20 - \$0.28</u>

The forecast does not exclude other adjustments that may arise subsequent to Q1'12 earnings release



Turning innovations
into industries.™