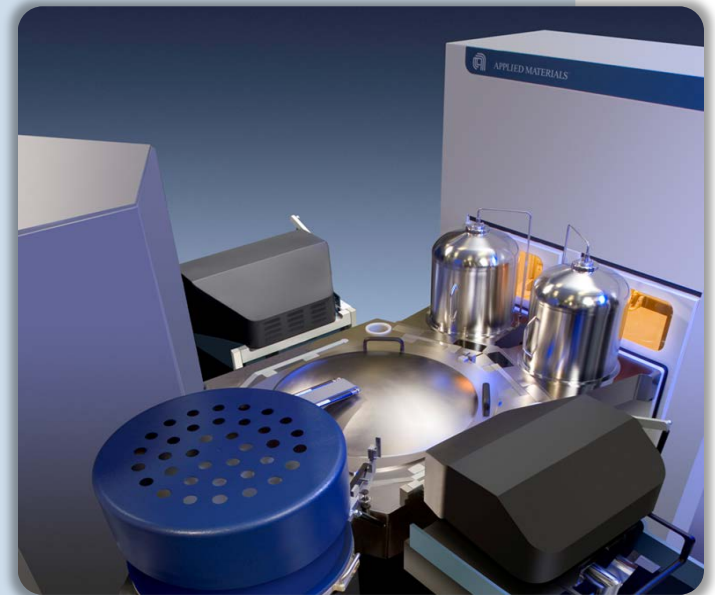




Second Quarter 2012 Earnings Call Highlights

May 17, 2012

Applied's Centura® platform is industry's benchmark for complex gate dielectrics



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, restructuring activities, and Q3'12 and FY'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, (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 May 17, 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

- Q2 FY'12 highlights
- Q2 FY'12 financial summary (consolidated)
- Reporting segments
- Q3 FY'12 expectations
- GAAP to non-GAAP reconciliations

Q2'12 Highlights

- Delivered profitability at high end of expectations and increased operating cash flow to 24% of net sales
- Orders of \$2.77B, up 38% sequentially and net sales of \$2.54B, up 16% sequentially led by strong demand for semiconductor equipment
- Non-GAAP operating income was \$490M; GAAP operating income was \$409M*
- Non-GAAP net income was \$349M; GAAP net income was \$289M*
- Non-GAAP EPS of \$0.27; GAAP EPS of \$0.22*
- During the quarter, announced a 13% dividend increase, paid \$104M in cash dividends, and used \$200M to repurchase over 16M shares

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

Q2'12 Income Statement Summary

(consolidated)

New orders: \$2.77B – up 38% from Q1'12

Backlog: \$2.37B – up 10% from Q1'12

Net sales: \$2.54B – up 16% from Q1'12

Non-GAAP gross margin: 42.1% – up 1.4 percentage points from Q1'12*

Non-GAAP operating income/margin: \$490M or 19.3% of net sales*

Effective tax rate was 25.3%

Non-GAAP net income of \$349M or \$0.27 per diluted share*

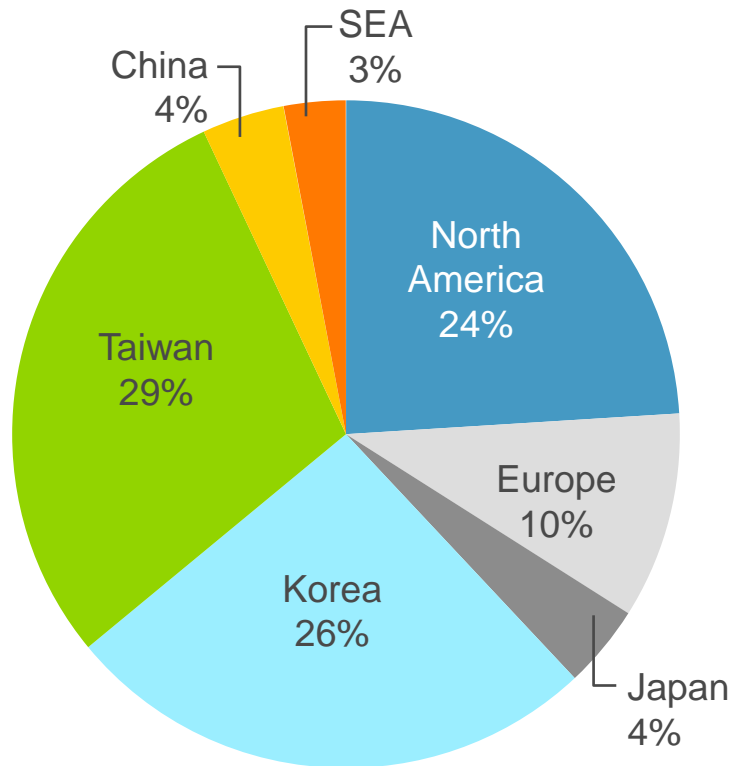
* See slides 19 and 21 for reconciliation of GAAP to non-GAAP measures

Summary Income Statement (consolidated)

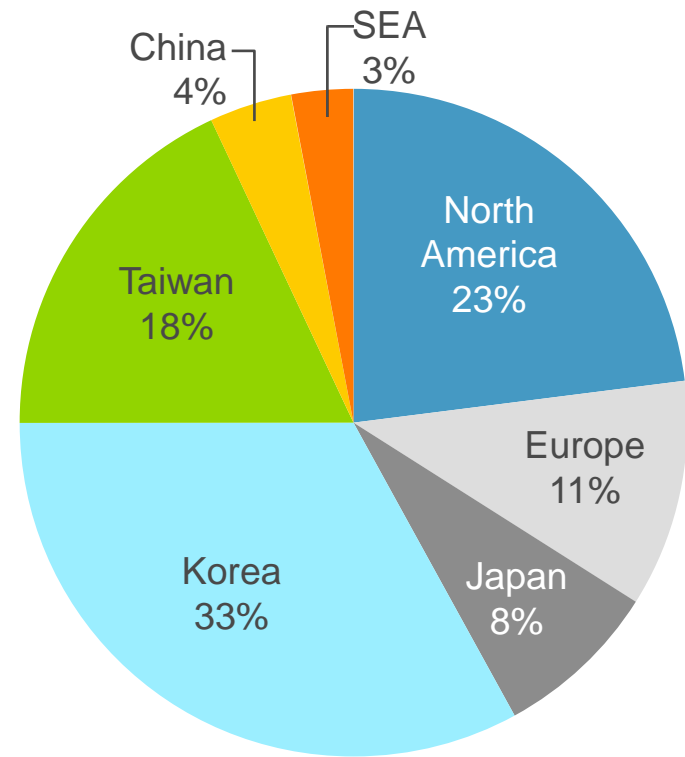
Unaudited \$ Amounts in Millions Except EPS	Q2'12	Q1'12	Q2'11
New Orders	\$2,765	\$2,008	\$3,185
Net Sales	\$2,541	\$2,189	\$2,862
Gross Margin (Non-GAAP)*	42.1%	40.7%	41.9%
RD&E	12.6%	13.9%	10.4%
SG&A	11.1%	13.8%	7.6%
Operating Margin (Non-GAAP)*	19.3%	15.7%	23.9%
Net Income (Non-GAAP)*	\$349	\$240	\$501
Net Income % (Non-GAAP)*	13.7%	11.0%	17.5%
EPS (Non-GAAP)*	\$0.27	\$0.18	\$0.38

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

New Orders Regional Distribution (consolidated)

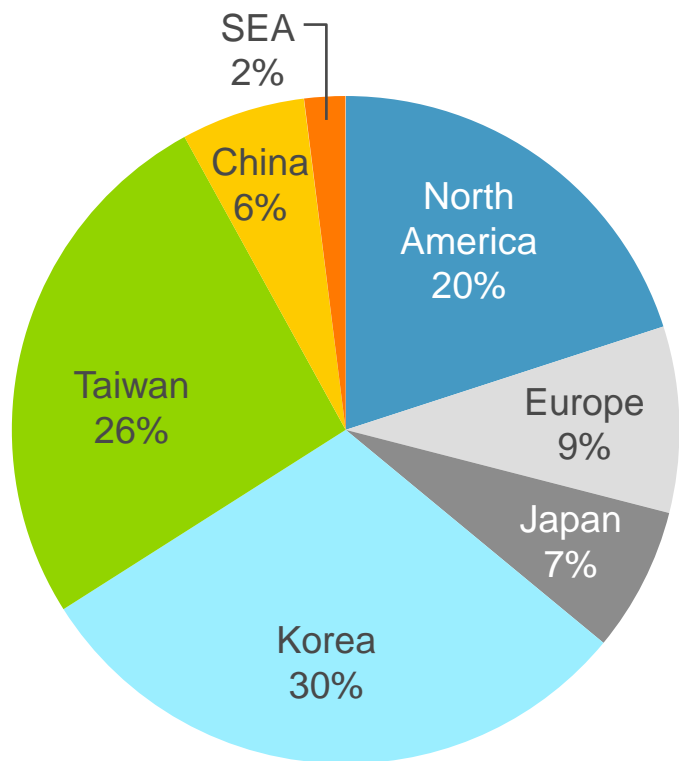


Q2 FY'12
\$2.77 Billion

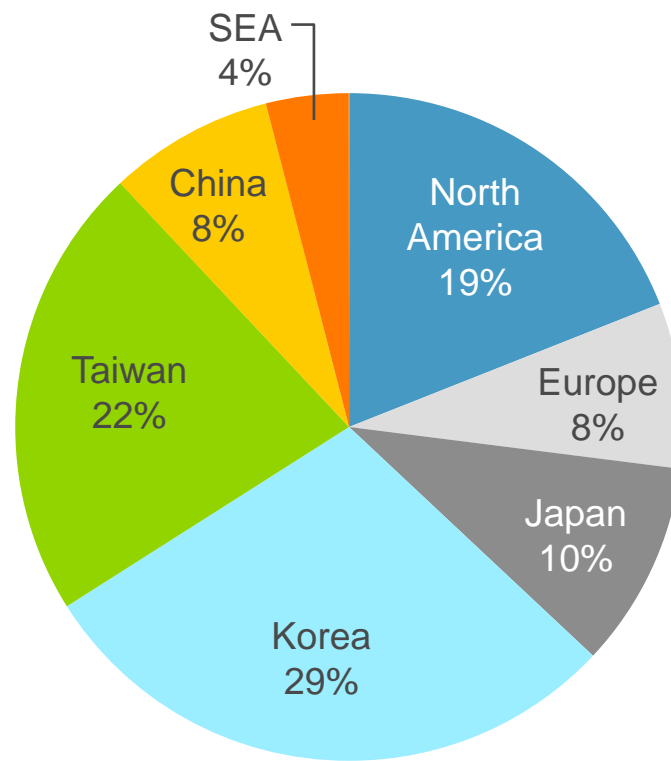


Q1 FY'12
\$2.01 Billion

Net Sales Regional Distribution (consolidated)



Q2 FY'12
\$2.54 Billion



Q1 FY'12
\$2.19 Billion

Q2'12 Balance Sheet Summary

(consolidated)

Cash, cash equivalents and investments increased ~\$289M to \$3.24B

Inventory: \$1.6B – down \$178 million from Q1'12

DSO*: 64 days, compared to 66 days in Q1'12

Capital spending: \$39M

Depreciation and amortization: \$108M

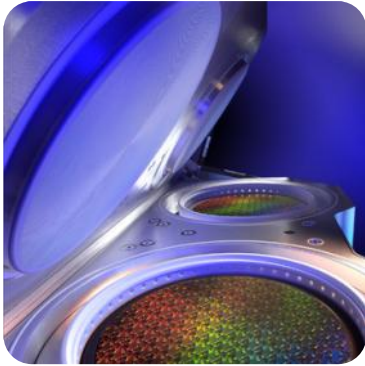
Headcount: ~14,600 regular employees (excluding temporary and interns)

* Days Sales Outstanding

Summary Balance Sheet

Unaudited \$ Amounts in Millions	Q2'12	Q1'12	Q2'11
Cash, Cash Equivalents & Investments	\$3,241	\$2,952	\$4,577
Accounts Receivables, Net	\$1,785	\$1,576	\$1,916
Inventories	\$1,594	\$1,772	\$1,794
Property, Plant & Equip., Net	\$939	\$956	\$898
Total Assets	\$13,877	\$13,597	\$11,957
Long-term Debt	\$1,946	\$1,947	\$204
Total Stockholders' Equity	\$8,703	\$8,650	\$8,182
Current Ratio	2.4	2.5	2.4
Total Debt / Capital Ratio	18.3%	18.4%	2.4%

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

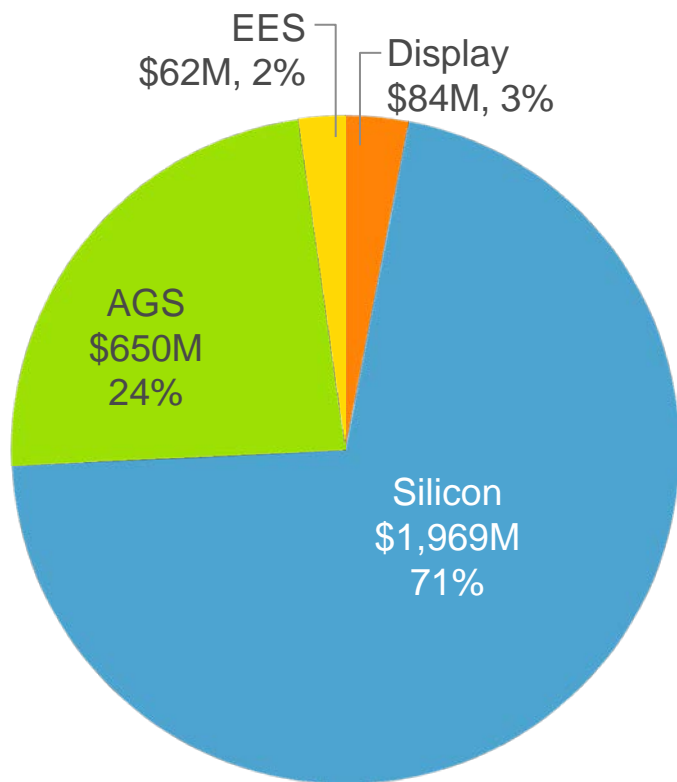


ENERGY & ENVIRONMENTAL SOLUTIONS

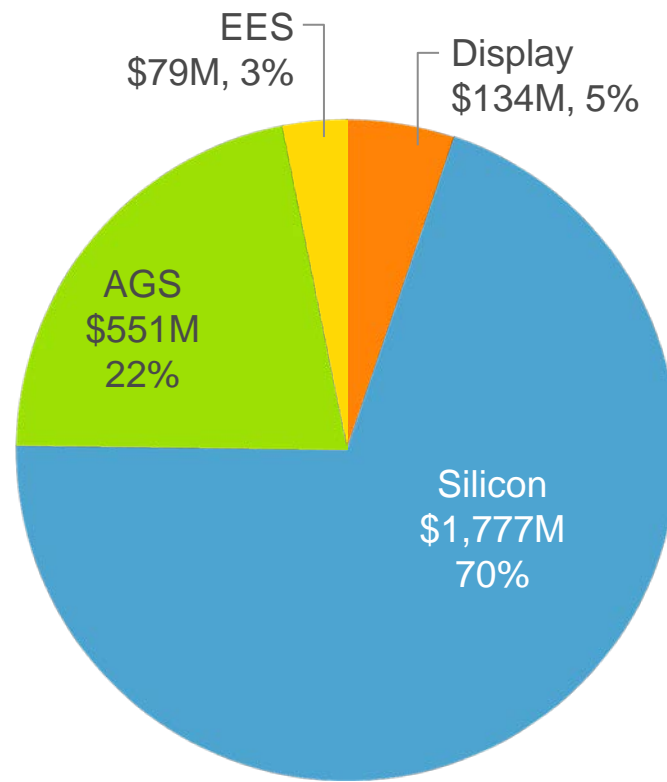
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q2'12 New Orders & Net Sales by Segment

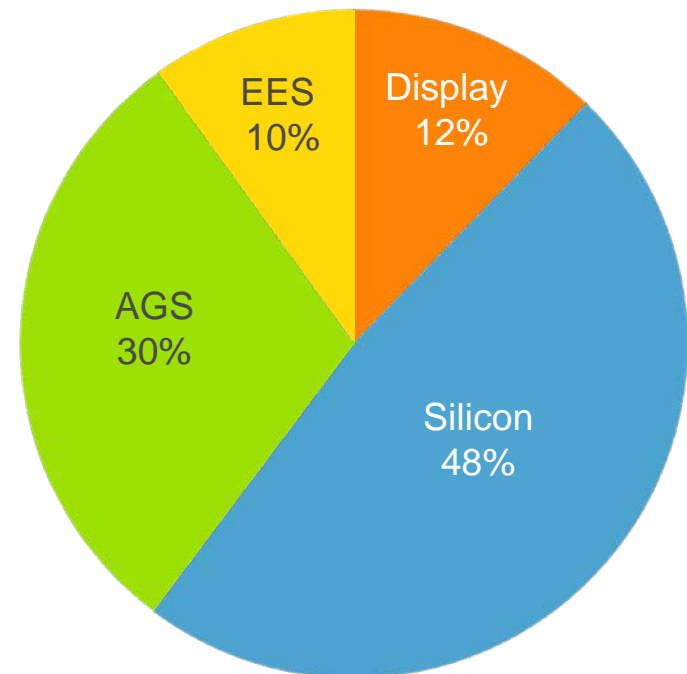
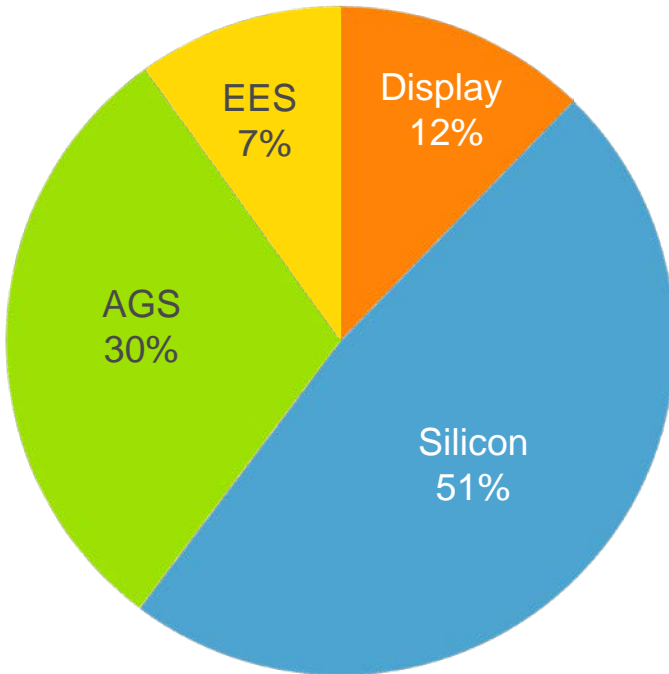


New Orders
\$2.77 Billion



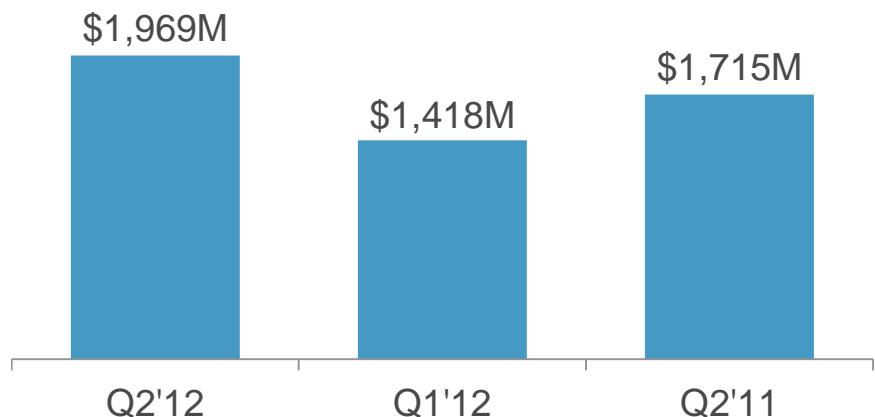
Net Sales
\$2.54 Billion

Backlog by Segment



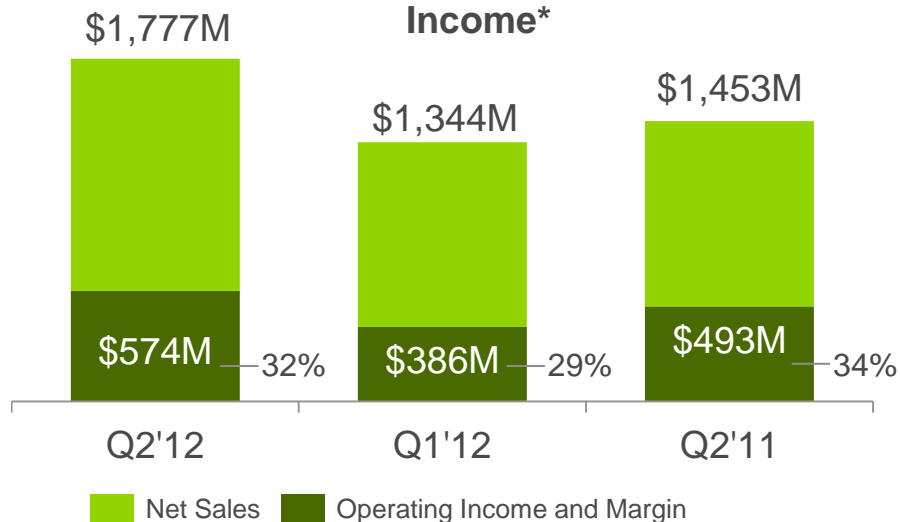
Silicon Systems Group Segment

New Orders



- Orders were \$1.97B, up 39% QoQ
 - Led by increased demand from foundry customers
- Net sales were \$1.78B, up 32% QoQ
- Non-GAAP Operating income of \$574M or 32% of net sales*

Net Sales & Non-GAAP Operating Income*

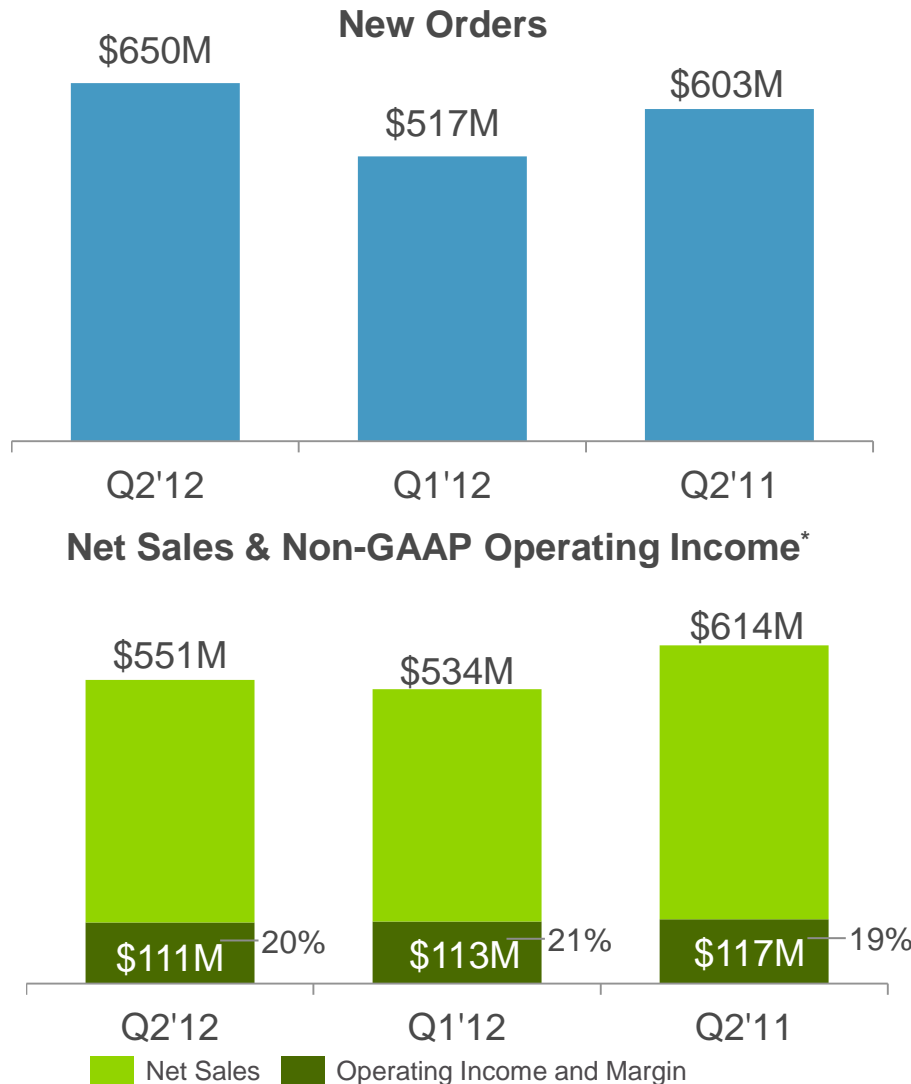


Q2'12 ORDERS BY CUSTOMER SEGMENT

Foundry	DRAM	Flash	Logic & Others
72%	4%	12%	12%

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

Applied Global Services Segment

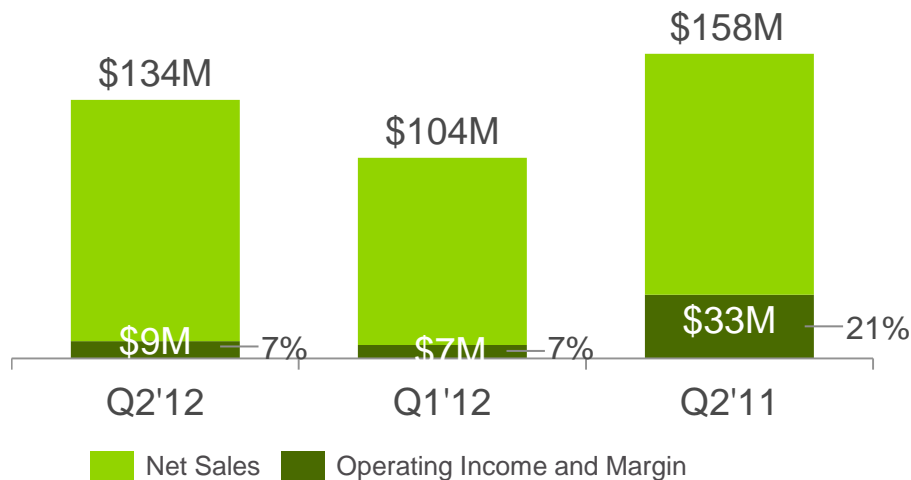
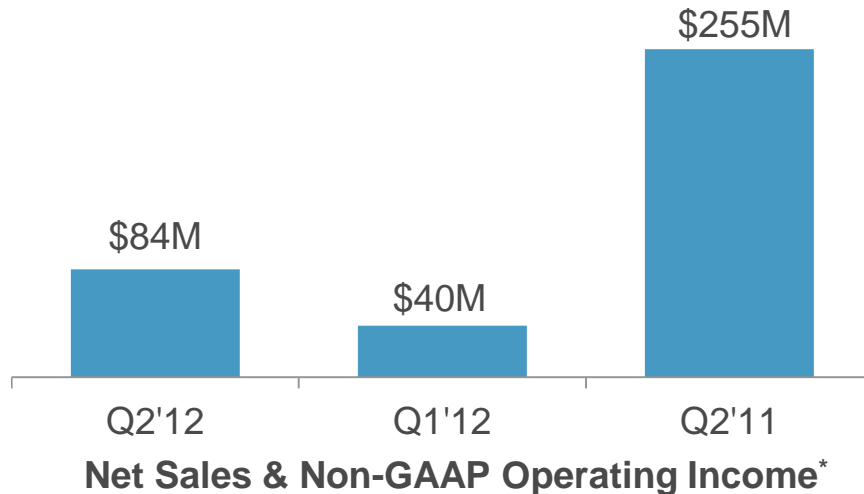


- Orders were \$650M, up 26% QoQ
 - Reflects a thin film solar equipment order along with higher demand for semiconductor spares and services
- Net sales were \$551M, up 3% QoQ
- Non-GAAP Operating income of \$111M or 20% of net sales*

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

Display Segment

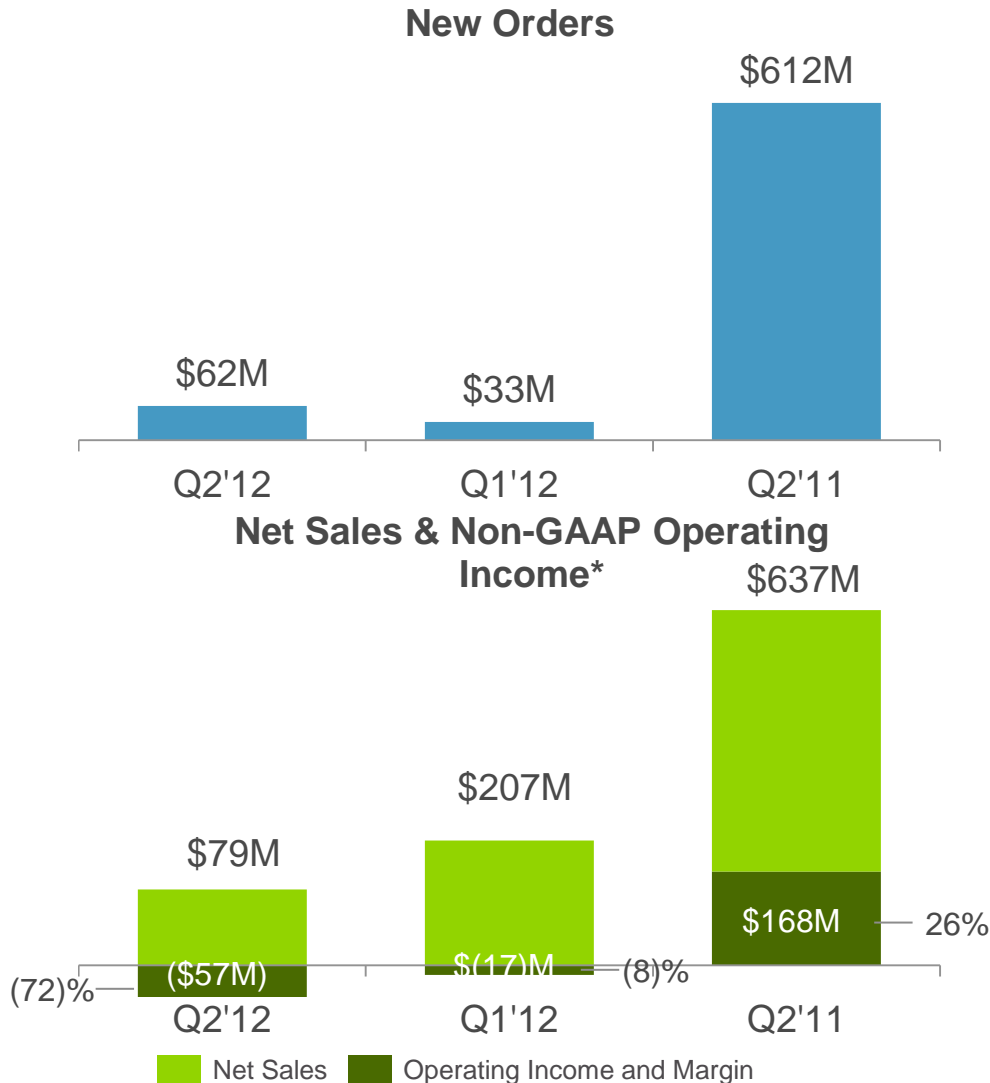
New Orders



- Orders were \$84M
 - Up \$44M from low levels
- Net sales were \$134M, up 29% QoQ
- Non-GAAP Operating income of \$9M or 7% of net sales*
 - Benefit of higher sales partially offset by a weaker product mix

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

Energy & Environmental Solutions Segment



- Orders were \$62M
- Net sales were \$79M, down 62% QoQ
 - Reflects solar industry overcapacity
- Non-GAAP Operating loss of \$57M*
- On May 10, Applied announced a restructuring plan consistent with the goal to lower the segment's annual revenue breakeven level to \$500M in FY 2013

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

Q3'12 & FY'12 Expectations

(As of May 17, 2012)

	Q3'12	FY'12
Net Sales	Flat to Down 10% from Q2'12	High end of \$9.1B to \$9.5B range
Non-GAAP EPS	\$0.21 to \$0.29*	High end of \$0.85 to \$0.95** range

* Excludes known charges related to completed acquisitions of approximately \$0.04 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q2'12 earnings release. Non-GAAP outlook includes charges related to EES restructuring plan equivalent to \$.01 per share. See slide 28 for non-GAAP EPS reconciliation.

** Excludes known charges related to completed acquisitions of approximately \$0.23 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q2'12 earnings release. Non-GAAP outlook includes charges related to EES restructuring plan equivalent to \$.01 per share. See slide 29 for non-GAAP EPS reconciliation.

Reconciliation of GAAP to Non-GAAP Results (unaudited)

	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
<i>(In millions, except per share amounts and percentages)</i>					
Non-GAAP Gross Margin					
Reported gross margin (GAAP basis)	1,011	\$ 786	1,189	1,797	2,325
Certain items associated with acquisitions ¹	59	104	9	163	18
Non-GAAP gross margin	<u>\$ 1,070</u>	<u>\$ 890</u>	<u>\$ 1,198</u>	<u>\$ 1,960</u>	<u>\$ 2,343</u>
Non-GAAP gross margin percent (% of net sales)	42%	41%	42%	41%	42%
Non-GAAP Operating Income					
Reported operating income (GAAP basis)	\$ 409	\$ 179	\$ 677	\$ 588	\$ 1,351
Certain items associated with acquisitions ¹	80	142	12	222	25
Varian deal cost	1	23	—	24	—
Restructuring charges and asset impairments ^{2,3}	—	—	(4)	—	(33)
Loss on sale of facility	—	—	—	—	1
Non-GAAP operating income	<u>\$ 490</u>	<u>\$ 344</u>	<u>\$ 685</u>	<u>\$ 834</u>	<u>\$ 1,344</u>
Non-GAAP operating margin percent (% of net sales)	19%	16%	24%	18%	24%
Non-GAAP Net Income					
Reported net income (GAAP basis)	\$ 289	\$ 117	\$ 489	\$ 406	\$ 995
Certain items associated with acquisitions ¹	80	142	12	222	25
Varian deal cost	1	23	—	24	—
Restructuring charges and asset impairments ^{2,3}	—	—	(4)	—	(33)
Impairment of strategic investments	3	—	—	3	—
Loss on sale of facility	—	—	—	—	1
Reinstatement of federal R&D tax credit	—	—	—	—	(13)
Resolution of audits of prior years' income tax filings	(7)	—	—	(7)	—
Income tax effect of non-GAAP adjustments	(17)	(42)	4	(59)	10
Non-GAAP net income	<u>\$ 349</u>	<u>\$ 240</u>	<u>\$ 501</u>	<u>\$ 589</u>	<u>\$ 985</u>
Non-GAAP Earnings Per Diluted Share					
Reported earnings per diluted share (GAAP basis)	\$ 0.22	\$ 0.09	\$ 0.37	\$ 0.31	\$ 0.75
Certain items associated with acquisitions	0.05	0.08	0.01	0.13	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	—	—	—	—	(0.01)
Non-GAAP earnings per diluted share	<u>\$ 0.27</u>	<u>\$ 0.18</u>	<u>\$ 0.38</u>	<u>\$ 0.45</u>	<u>\$ 0.74</u>
Weighted average number of diluted shares	1,301	1,310	1,333	1,305	1,333

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 May 1, 2011 included 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, offset by asset impairment charges of \$24 million related to certain intangible assets.

3 Results for the six months ended May 1, 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, offset by asset impairment charges of \$27 million primarily related to certain intangible assets.

Details of Deal Costs and Certain Items Associated with Acquisitions*

<i>(In millions)</i>	Three Months Ended		
	<u>April 29, 2012</u>	<u>January 29, 2012</u>	<u>May 1, 2011</u>
Deal costs and certain items associated with acquisitions			
Cost of products sold	\$ 59	\$ 104	\$ 9
Research, development and engineering	2	1	-
Selling, general and administrative	20	60	3
Total	<u>\$ 81</u>	<u>\$ 165</u>	<u>\$ 12</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)

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
Net sales (GAAP basis)	\$ 2,541	\$ 2,189	\$ 2,862	\$ 4,730	\$ 5,549
Gross margin (GAAP basis)	\$ 1,011	\$ 786	\$ 1,189	\$ 1,797	\$ 2,325
Certain items associated with acquisitions	59	104	9	163	18
Non-GAAP gross margin	\$ 1,070	\$ 890	\$ 1,198	\$ 1,960	\$ 2,343
GAAP gross margin (% of net sales)	39.8%	35.9%	41.5%	38.0%	41.9%
Non-GAAP gross margin (% of net sales)	42.1%	40.7%	41.9%	41.4%	42.2%

Reconciliation of GAAP to Non-GAAP Operating Expenses

Three Months Ended
April 29, 2012

(In millions, except percentages)

Operating expenses (GAAP basis)	\$	602
Certain items associated with acquisitions		(21)
Varian deal cost		(1)
Non-GAAP operating expenses	\$	580

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
Net sales (GAAP basis)	\$ 1,777	\$ 1,344	\$ 1,453	\$ 3,121	\$ 2,950
Operating income (GAAP basis)	\$ 504	\$ 271	\$ 491	\$ 775	\$ 1,034
Certain items associated with acquisitions	70	115	2	185	5
Non-GAAP operating income	\$ 574	\$ 386	\$ 493	\$ 960	\$ 1,039
GAAP operating margin (% of net sales)	28.4%	20.2%	33.8%	24.8%	35.1%
Non-GAAP operating margin (% of net sales)	32.3%	28.7%	33.9%	30.8%	35.2%

Reconciliation of GAAP to Non-GAAP

AGS Operating Margin

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
Net sales (GAAP basis)	\$ 551	\$ 534	\$ 614	\$ 1,085	\$ 1,181
Operating income (GAAP basis)	\$ 109	\$ 107	\$ 91	\$ 216	\$ 176
Certain items associated with acquisitions	2	6	2	8	4
Restructuring charges & asset impairments	-	-	24	-	24
Non-GAAP operating income	\$ 111	\$ 113	\$ 117	\$ 224	\$ 204
GAAP operating margin (% of net sales)	19.8%	20.0%	14.8%	19.9%	14.9%
Non-GAAP operating margin (% of net sales)	20.1%	21.2%	19.1%	20.6%	17.3%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

<i>(In millions, except percentages)</i>	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
Net sales (GAAP basis)	\$ 134	\$ 104	\$ 158	\$ 238	\$ 305
Operating income (GAAP basis)	\$ 7	\$ 5	\$ 31	\$ 12	\$ 58
Certain items associated with acquisitions	2	2	2	4	4
Non-GAAP operating income	\$ 9	\$ 7	\$ 33	\$ 16	\$ 62
GAAP operating margin (% of net sales)	5.2%	4.8%	19.6%	5.0%	19.0%
Non-GAAP operating margin (% of net sales)	6.7%	6.7%	20.9%	6.7%	20.3%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

	Three Months Ended			Six Months Ended	
	April 29, 2012	January 29, 2012	May 1, 2011	April 29, 2012	May 1, 2011
<i>(In millions, except percentages)</i>					
Net sales (GAAP basis)	\$ 79	\$ 207	\$ 637	\$ 286	\$ 1,113
Operating income (loss) (GAAP basis)	\$ (63)	\$ (23)	\$ 170	\$ (86)	\$ 313
Certain items associated with acquisitions	6	6	6	12	12
Restructuring charges & asset impairments	-	-	(8)	-	(36)
Non-GAAP operating income (loss)	\$ (57)	\$ (17)	\$ 168	\$ (74)	\$ 289
GAAP operating margin (% of net sales)	-79.7%	-11.1%	26.7%	-30.1%	28.1%
Non-GAAP operating margin (% of net sales)	-72.2%	-8.2%	26.4%	-25.9%	26.0%

Reconciliation of GAAP to Non-GAAP Effective Tax Rate

(In millions, except percentages)

	Three Months Ended	
	April 29, 2012	
Provision for income taxes (GAAP basis)	\$	98
Income tax effect of non-GAAP adjustments		17
Resolutions from audits of prior years' income tax filings		7
Non-GAAP provision for income taxes	\$	122
Income before income taxes (GAAP basis)	\$	387
Certain items associated with acquisitions		80
Varian deal cost		1
Impairment of strategic investments		3
Non-GAAP income before income taxes	\$	471
GAAP effective tax rate		25.3%
Non-GAAP effective tax rate		25.9%

Reconciliation of Forecasted Non-GAAP EPS – 3Q FY'12

	<u>Three Months Ended</u> <u>July 29, 2012</u> <u>Forecasted</u>
Forecasted EPS (GAAP basis)	\$0.17 - \$0.25
Known charges related to completed acquisitions	\$0.04
Forecasted non-GAAP EPS three months ended July 29, 2012	<u>\$0.21 - \$0.29</u>

The forecast does not exclude other adjustments that may arise subsequent to Q2'12 earnings release

Reconciliation of Forecasted Non-GAAP EPS – FY 2012

	<u>Fiscal 2012</u> <u>(Forecasted)</u>
Reported earnings per diluted share for six months ended April 29, 2012 (GAAP basis)	\$ 0.31
Certain items associated with acquisitions	\$ 0.13
Varian deal cost	\$ 0.01
Non-GAAP earnings per diluted share for six months ended April 29, 2012	<u>\$ 0.45</u>
Forecasted earnings per diluted share for April 30, 2012 - October 28, 2012 (GAAP basis)	\$0.32 - \$0.42
Known charges related to completed acquisitions for April 30, 2012 - October 28, 2012	\$ 0.09
Forecasted non-GAAP earnings per diluted share for fiscal year ending October 28, 2012	<u>\$0.85 - \$0.95</u>

The forecast does not take into account other adjustments that may arise subsequent to Q2'12 earnings release



Turning innovations
into industries.™