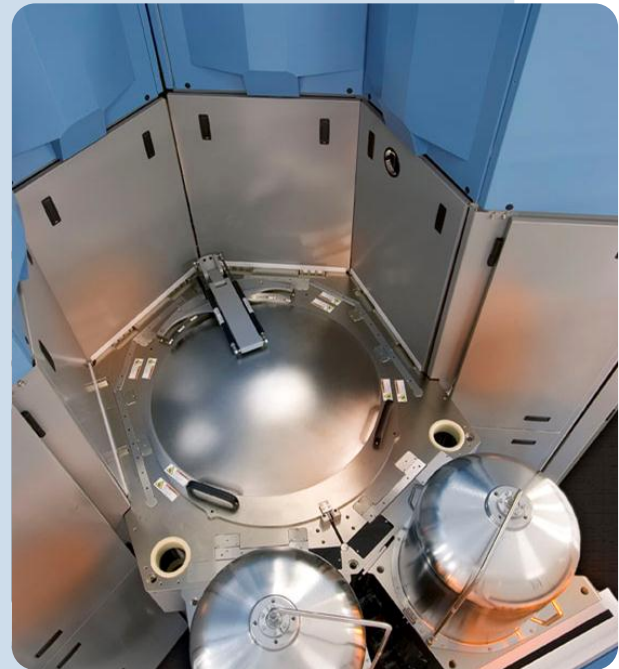




# Third Quarter FY 2013 Earnings Summary

August 15, 2013

The Applied Centura® Epi system is the industry's leading epitaxy solution



# Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's industry conditions, opportunities, and outlook for the fourth quarter of fiscal 2013. 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, 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) achieve the objectives of operational initiatives, (iii) obtain and protect intellectual property rights in key technologies, (iv) attract, motivate and retain key employees, and (v) accurately forecast future results, which depends on multiple assumptions related to, without limitation, market conditions, customer requirements and business needs; and other risks described in Applied's most recent SEC Form 10-Q. All forward-looking statements are based on management's estimates, projections and assumptions as of August 15, 2013, and Applied undertakes no obligation to update any forward-looking statements.

This presentation also contains non-GAAP adjusted financial measures, along with reconciliations to GAAP.

# Contents

- Q3 FY 2013 highlights
- Q3 FY 2013 financial summary (consolidated)
- Reporting segments
- Q4 FY 2013 expectations
- GAAP to non-GAAP reconciliations

# Q3 FY 2013 Highlights

Non-GAAP\* adjusted EPS of 18 cents at mid-point of guidance, GAAP EPS of 14 cents

Strong consumer demand for mobile devices and large-screen TVs drives semiconductor and display equipment sales

Spending shift to RD&E to fund profitable growth opportunities in Precision Materials Engineering

\* See slides 19 – 20 for reconciliation of GAAP to non-GAAP adjusted measures

# Q3'13 Income Statement Summary (consolidated)

**New orders:**

\$2.0B – down 12% from Q2 2013

**Backlog:**

\$2.3B – flat versus Q2 2013

**Net sales:**

\$2.0B – flat versus Q2 2013

**Non-GAAP adjusted gross margin\*:**

42.9% – down 0.3 point from Q2 2013

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

\$312M or 15.8% of net sales

**Non-GAAP adjusted effective tax rate\*:**

23.9%

**Non-GAAP adjusted net income\*:**

\$223M or \$0.18 per diluted share

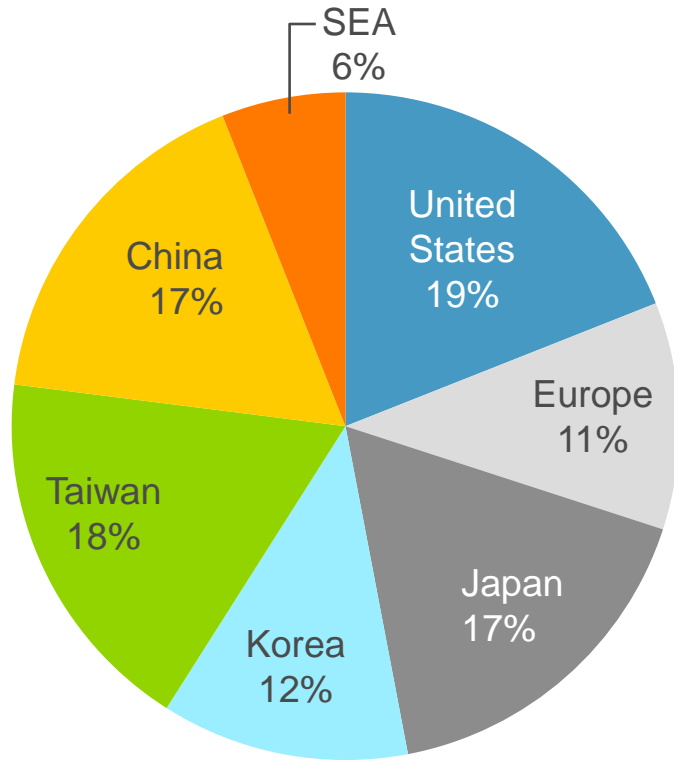
\* See slides 19 – 21, 27 for reconciliation of GAAP to non-GAAP adjusted measures

# Summary Income Statement (consolidated)

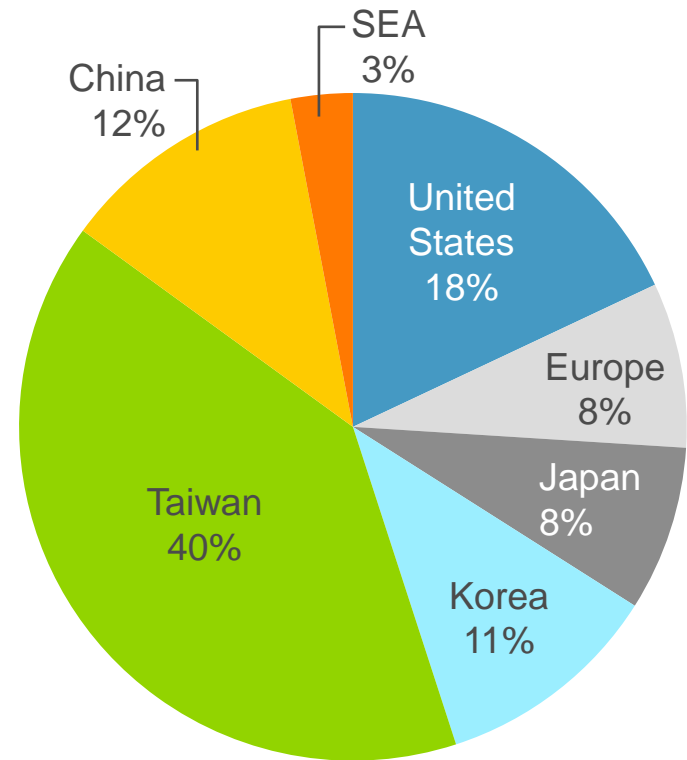
Unaudited \$ Amounts in Millions Except EPS	Q3'13	Q2'13	Q3'12
New orders	\$1,995	\$2,266	\$1,799
Net sales	\$1,975	\$1,973	\$2,343
Gross margin (Non-GAAP adjusted)*	42.9%	43.2%	41.6%
RD&E	\$334	\$344	\$309
Marketing and selling	\$111	\$118	\$118
General and administrative	\$97	\$126	\$137
Operating margin (Non-GAAP adjusted)*	15.8%	14.4%	18.4%
Net income (Non-GAAP adjusted)*	\$223	\$199	\$300
Net income % (Non-GAAP adjusted)	11.3%	10.1%	12.8%
EPS (Non-GAAP adjusted)*	\$0.18	\$0.16	\$0.24

\* See slides 19 – 21 for reconciliation of GAAP to non-GAAP adjusted measures

# New Orders Regional Distribution (consolidated)

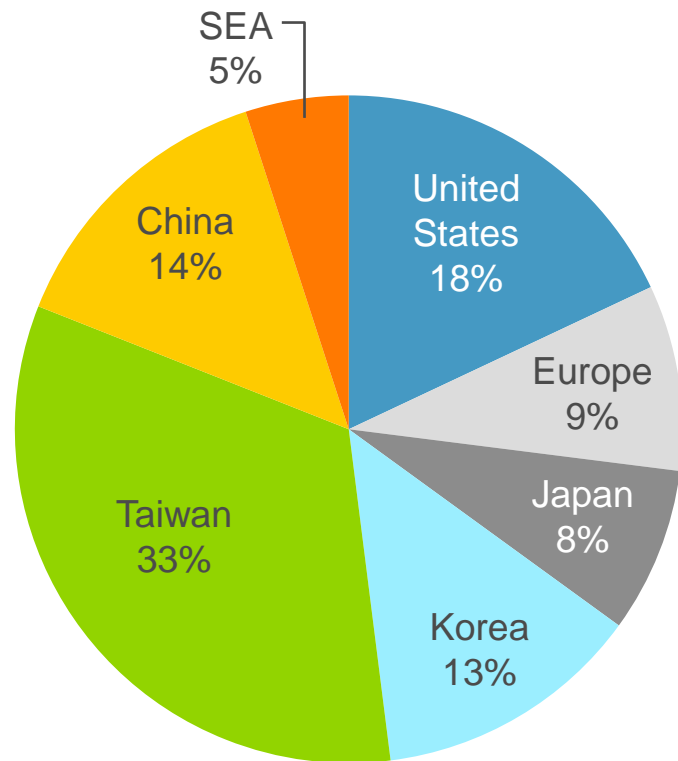


**Q3 FY'13**  
**\$2.0 Billion**

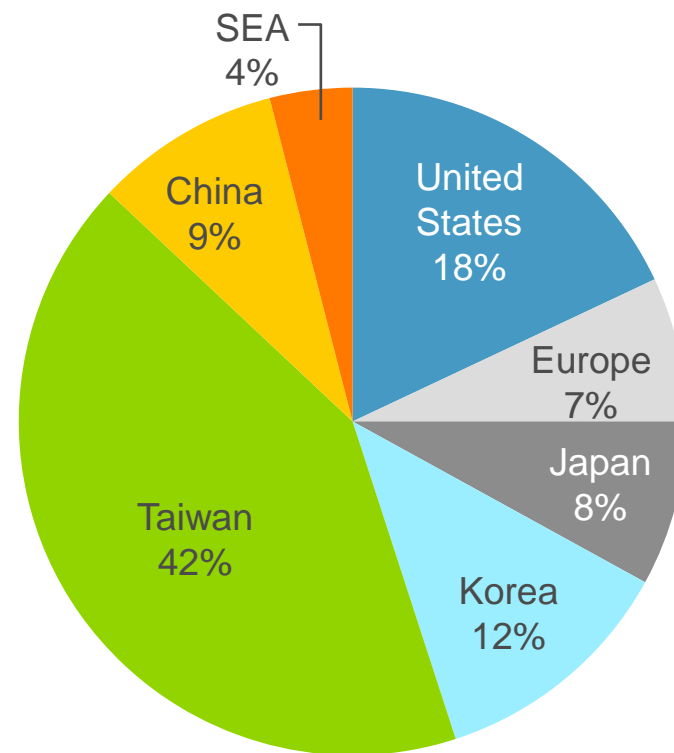


**Q2 FY'13**  
**\$2.3 Billion**

# Net Sales Regional Distribution (consolidated)



**Q3 FY 2013**  
**\$2.0 Billion**



**Q2 FY 2013**  
**\$2.0 Billion**



# Q3 2013 Other Financials Summary

**Cash, cash equivalents and investments:**

Increased \$180M to \$3.0B

**Inventory:**

\$1.4B, up 3% versus Q2 2013

**Days sales outstanding:**

54 days versus 59 days in Q2 2013

**Capital spending, net:**

\$40M

**Depreciation and amortization:**

\$100M

**Headcount:**

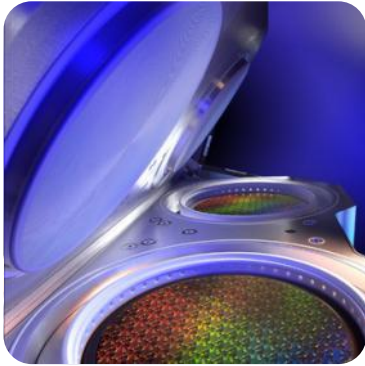
~13,700 regular employees\*

\* Excluding temporary and interns

# Summary Balance Sheet

Unaudited \$ Amounts in Millions	Q3'13	Q2'13	Q3'12
Cash, cash equivalents & investments	\$3,030	\$2,850	\$3,222
Accounts receivables, net	\$1,170	\$1,275	\$1,535
Inventories	\$1,358	\$1,318	\$1,380
Property, plant & equip., net	\$872	\$886	\$917
Total assets	\$11,751	\$11,695	\$13,320
Long-term debt	\$1,946	\$1,946	\$1,946
Total stockholders' equity	\$6,954	\$6,898	\$8,339
Current ratio	2.4	2.3	2.4
Total debt / capital ratio	21.9%	22.0%	18.9%

# 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

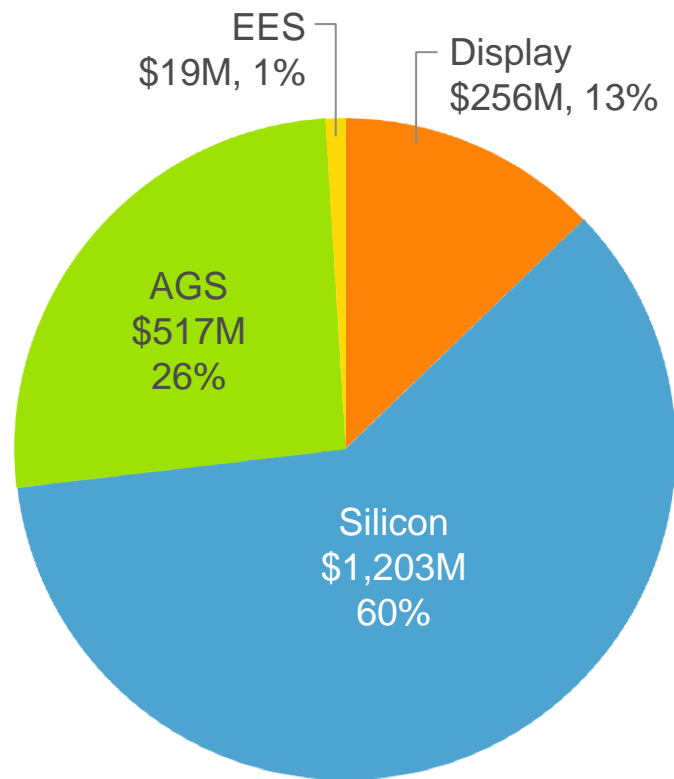


## ENERGY & ENVIRONMENTAL SOLUTIONS

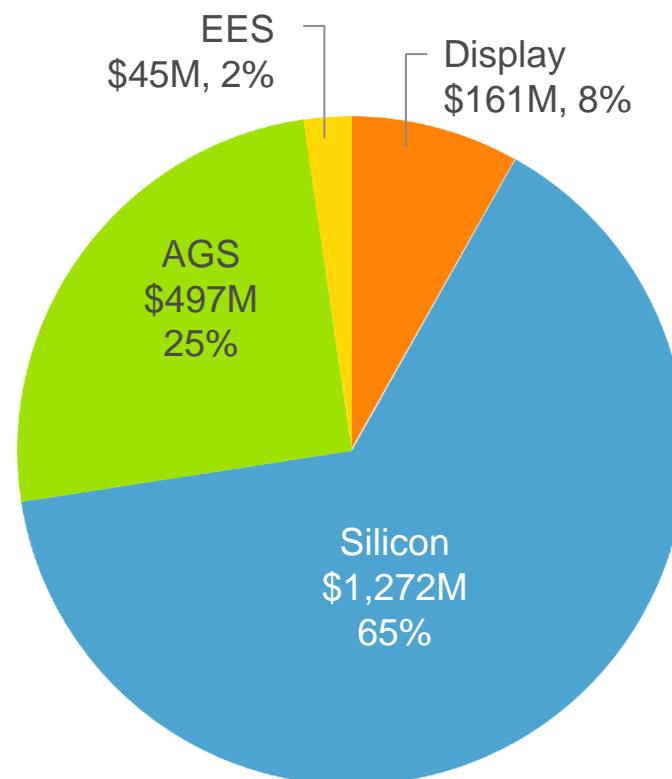
Designs, manufactures and sells equipment used to fabricate solar cells and modules and flexible electronics

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

# Q3 2013 New Orders & Net Sales by Segment

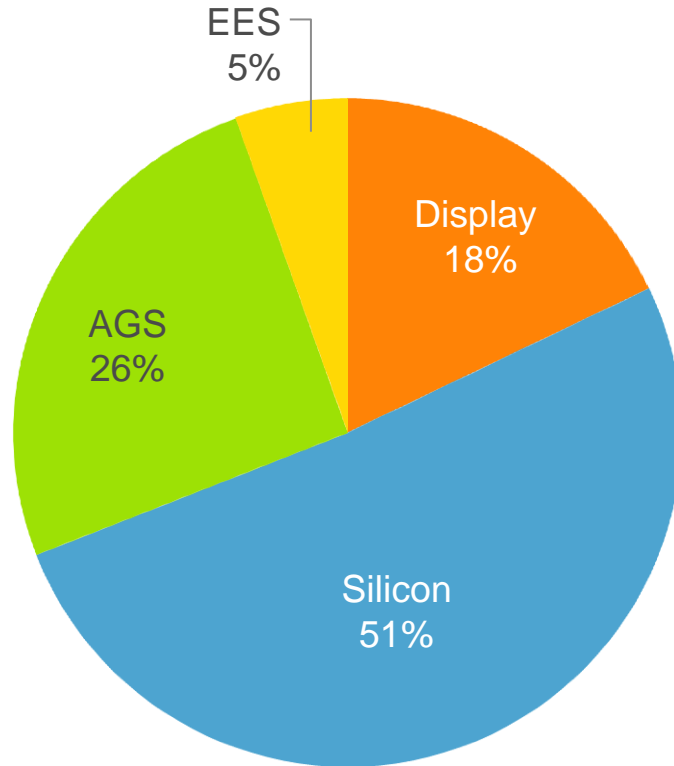


**New Orders**  
**\$2.0 Billion**

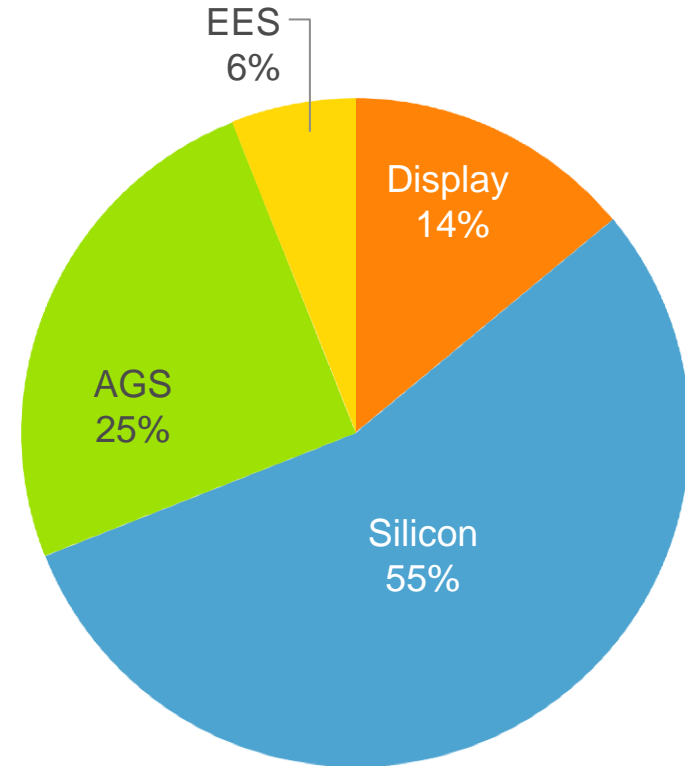


**Net Sales**  
**\$2.0 Billion**

# Backlog by Segment



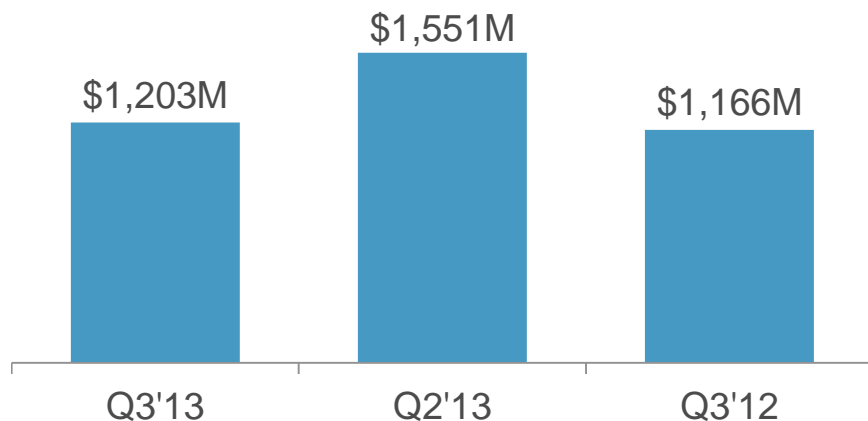
**Q3 FY 2013**  
**\$2.3 Billion**



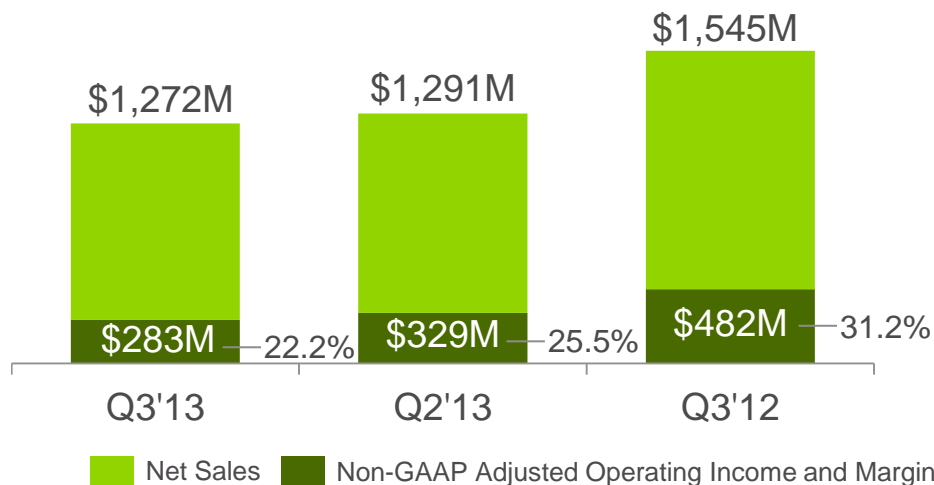
**Q2 FY 2013**  
**\$2.3 Billion**

# Silicon Systems Group Segment

## New Orders



## Net Sales & Non-GAAP Adjusted Operating Income\*



- Orders were \$1.20B, down 22% QoQ
  - Seasonal decline in Foundry
- Net sales were \$1.27B, down 1% QoQ
- Non-GAAP adjusted operating income of \$283M or 22.2% of net sales\*

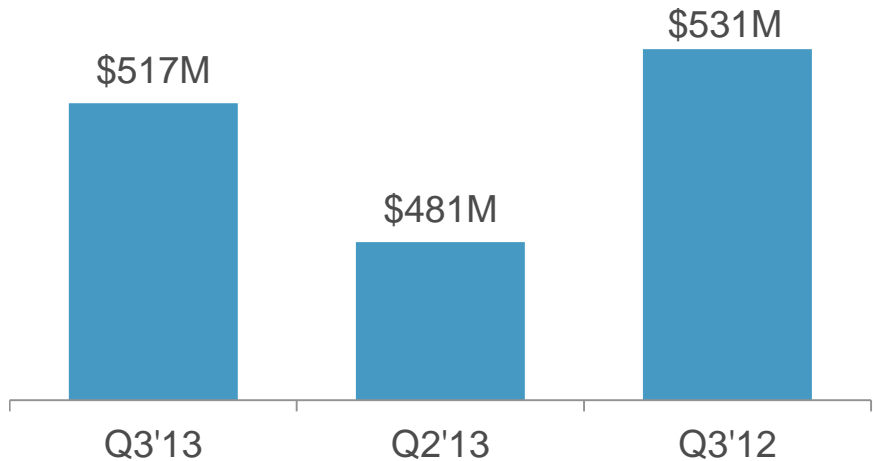
## Q3'13 ORDERS BY END USE APPLICATION

Foundry	DRAM	Flash	Logic & Others
45%	14%	24%	17%

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

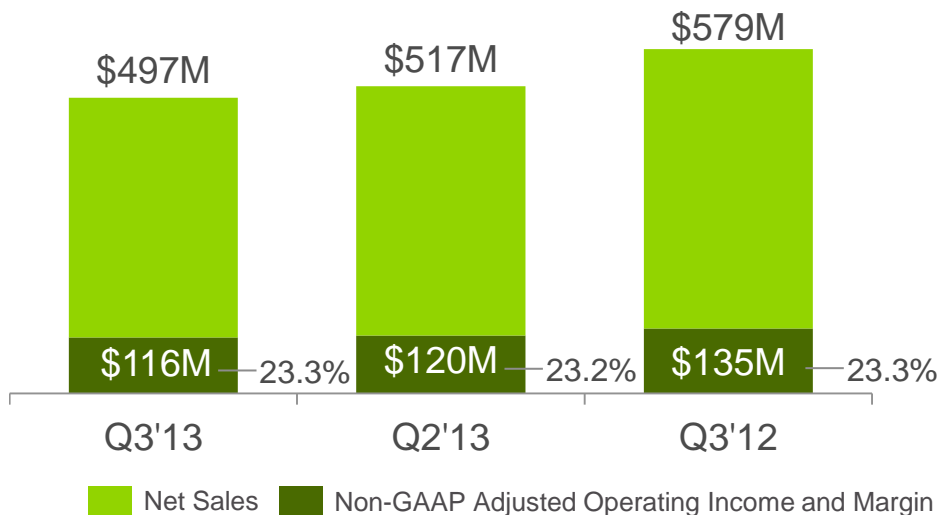
# Applied Global Services Segment

## New Orders



- Orders were \$517M, up 7% QoQ
  - Primarily due to spares and 200mm equipment
- Net sales were \$497M, down 4% QoQ
- Non-GAAP adjusted operating income of \$116M or 23.3% of net sales\*

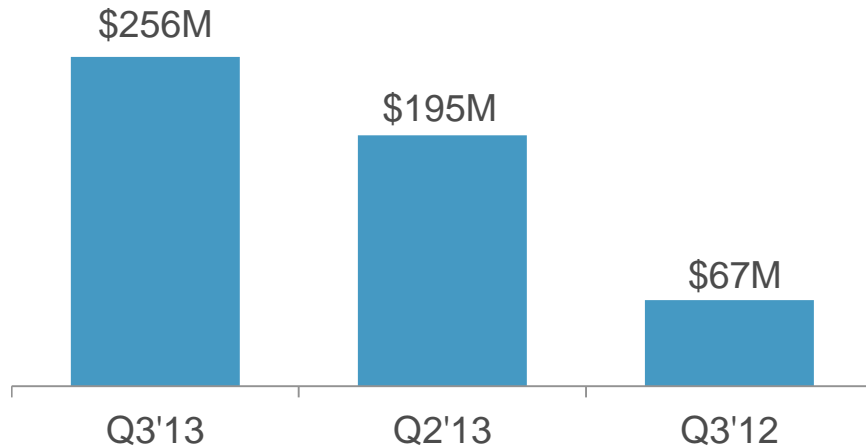
## Net Sales & Non-GAAP Adjusted Operating Income\*



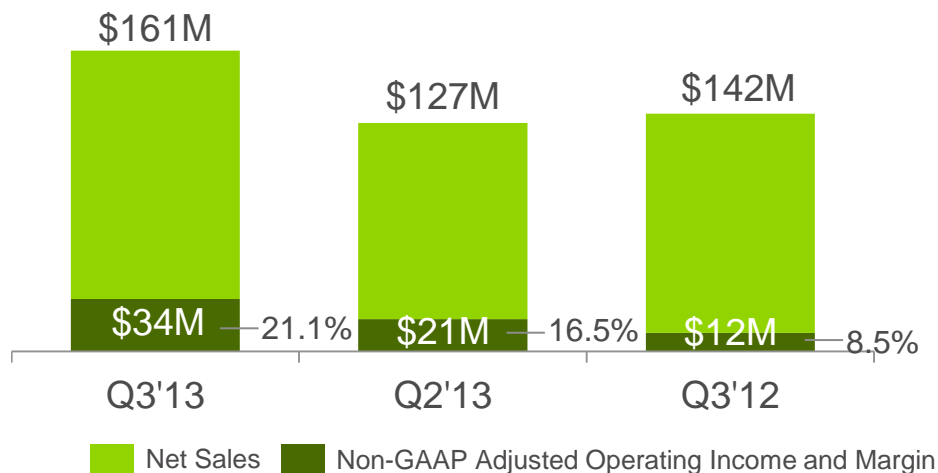
\* See slide 24 for reconciliation of GAAP to non-GAAP adjusted measures

# Display Segment

## New Orders



## Net Sales & Non-GAAP Adjusted Operating Income\*

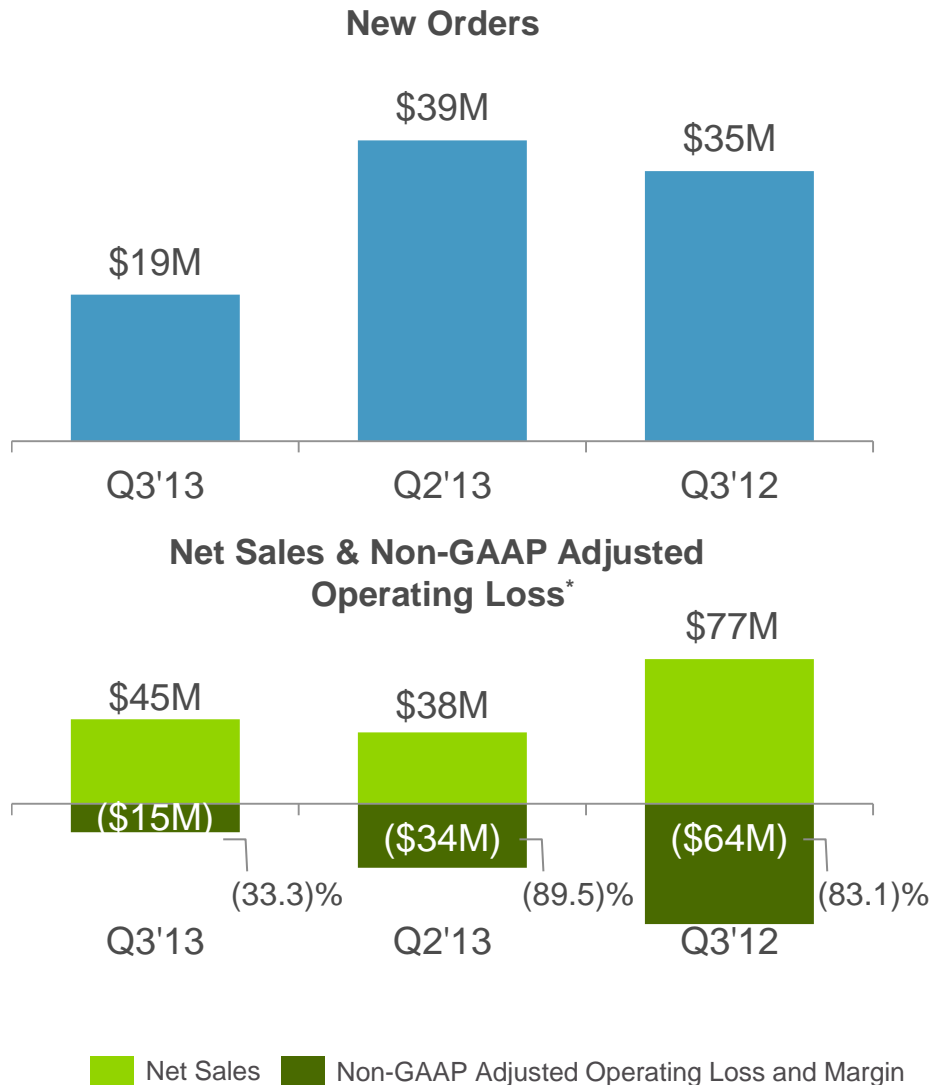


- Orders were \$256M, up 31% from prior quarter
  - Led by a recovery in TV equipment demand
- Net sales were \$161M, up 27% QoQ
- Non-GAAP adjusted operating income of \$34M or 21.1% of net sales\*

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



# Energy & Environmental Solutions Segment



- Orders were \$19M, down 51%
- Net sales were \$45M, up 18% QoQ
- Non-GAAP adjusted operating loss of \$15M\*

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

# Q4 FY 2013 Expectations (as of August 15, 2013)

<b>Net Sales</b>	Approximately flat
<b>Non-GAAP Adjusted Operating Expenses*</b>	\$525 million $\pm$ \$10 million
<b>Non-GAAP Adjusted EPS*</b>	\$0.16 to \$0.20

\* The non-GAAP adjusted operating expenses and EPS outlooks exclude known charges related to completed acquisitions of approximately \$19 million and \$0.04 per share, respectively, but do not exclude other non-GAAP adjustments that may arise subsequent to this release.

# Reconciliation of GAAP to Non-GAAP Adjusted Results

(unaudited)

(In millions, except per share amounts and percentages)

## Non-GAAP Adjusted Gross Margin

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
Reported gross margin (GAAP basis)	\$ 806	\$ 808	\$ 930	\$ 2,196	\$ 2,726
Certain items associated with acquisitions <sup>1</sup>	40	43	44	126	209
Acquisition integration and deal costs	1	1	—	3	—
<b>Non-GAAP adjusted gross margin</b>	<b>\$ 847</b>	<b>\$ 852</b>	<b>\$ 974</b>	<b>\$ 2,325</b>	<b>\$ 2,935</b>
Non-GAAP adjusted gross margin percent (% of net sales)	42.9%	43.2%	41.6%	42.1%	41.5%

## Non-GAAP Adjusted Operating Income

Reported operating income (loss) (GAAP basis)	\$ 250	\$ (68)	\$ 322	\$ 221	\$ 910
Impairment of goodwill and intangible assets	—	278	—	278	—
Certain items associated with acquisitions <sup>1</sup>	47	53	57	154	242
Acquisition integration and deal costs	5	12	8	27	70
Restructuring charges and asset impairments <sup>2, 3, 4, 5</sup>	14	10	44	33	44
Gain on sale of facility	(4)	—	—	(4)	—
<b>Non-GAAP adjusted operating income</b>	<b>\$ 312</b>	<b>\$ 285</b>	<b>\$ 431</b>	<b>\$ 709</b>	<b>\$ 1,266</b>
Non-GAAP adjusted operating margin percent (% of net sales)	15.8%	14.4%	18.4%	12.8%	17.9%

## Non-GAAP Adjusted Net Income

Reported net income (loss) (GAAP basis)	\$ 168	\$ (129)	\$ 218	\$ 73	\$ 624
Impairment of goodwill and intangible assets	—	278	—	278	—
Certain items associated with acquisitions <sup>1</sup>	47	53	57	154	242
Acquisition integration and deal costs	5	12	8	27	70
Restructuring charges and asset impairments <sup>2, 3, 4, 5</sup>	14	10	44	33	44
Gain on sale of facility	(4)	—	—	(4)	—
Impairment of strategic investments	3	2	—	5	3
Reinstatement of federal R&D tax credit	—	(3)	—	(13)	—
Resolution of prior years' income tax filings	(3)	—	(10)	(14)	(17)
Income tax effect of non-GAAP adjustments	(7)	(24)	(17)	(48)	(77)
<b>Non-GAAP adjusted net income</b>	<b>\$ 223</b>	<b>\$ 199</b>	<b>\$ 300</b>	<b>\$ 491</b>	<b>\$ 889</b>

## Non-GAAP Adjusted Earnings Per Diluted Share

Reported earnings (loss) per diluted share (GAAP basis)	\$ 0.14	\$ (0.11)	\$ 0.17	\$ 0.06	\$ 0.48
Impairment of goodwill and intangible assets	—	0.22	—	0.22	—
Certain items associated with acquisitions	0.03	0.04	0.04	0.10	0.15
Acquisition integration and deal costs	—	0.01	0.01	0.02	0.04
Restructuring charges and asset impairments	0.01	—	0.03	0.02	0.03
Reinstatement of federal R&D tax credit and resolution of prior years' income tax filings	—	—	(0.01)	(0.02)	(0.01)
<b>Non-GAAP adjusted earnings per diluted share</b>	<b>\$ 0.18</b>	<b>\$ 0.16</b>	<b>\$ 0.24</b>	<b>\$ 0.40</b>	<b>\$ 0.69</b>
Weighted average number of diluted shares	1,220	1,217	1,268	1,218	1,292

- 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 July 28, 2013 included \$4 million of employee-related costs related to the restructuring program announced on October 3, 2012 and restructuring and asset impairment charges of \$10 million related to the restructuring program announced on May 10, 2012.
- 3 Results for the three months ended April 28, 2013 included \$4 million of employee-related costs related to the restructuring program announced on October 3, 2012 and restructuring and asset impairment charges of \$6 million related to the restructuring program announced on May 10, 2012.
- 4 Results for the three and nine months ended July 29, 2012 included \$35 million of restructuring and asset impairment charges related to the restructuring program announced on May 10, 2012 and severance charges of \$9 million related to the integration of Varian.
- 5 Results for the nine months ended July 28, 2013 included \$12 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, restructuring and asset impairment charges of \$19 million related to the restructuring program announced on May 10, 2012 and severance charges of \$2 million related to the integration of Varian.

# Integration and Deal Costs and Certain Items Associated with Acquisitions\*

<i>(In millions)</i>	Three Months Ended		
	<u>July 28, 2013</u>	<u>April 28, 2013</u>	<u>July 29, 2012</u>
<b>Integration and deal costs and certain items associated with acquisitions</b>			
Cost of products sold	\$ 41	\$ 44	\$ 44
Research, development and engineering	2	2	1
Selling, general and administrative	9	19	20
<b>Total</b>	<u>\$ 52</u>	<u>\$ 65</u>	<u>\$ 65</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 Adjusted Gross Margin (Consolidated)

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
<i>(In millions, except percentages)</i>					
<b>Net Sales (GAAP basis)</b>	<u>\$ 1,975</u>	<u>\$ 1,973</u>	<u>\$ 2,343</u>	<u>\$ 5,521</u>	<u>\$ 7,073</u>
<b>Reported gross margin (GAAP basis)</b>	\$ 806	\$ 808	\$ 930	\$ 2,196	\$ 2,726
Certain items associated with acquisitions	40	43	44	126	209
Acquisition integration and deal costs	1	1	-	3	-
<b>Non-GAAP adjusted gross margin</b>	<u>\$ 847</u>	<u>\$ 852</u>	<u>\$ 974</u>	<u>\$ 2,325</u>	<u>\$ 2,935</u>
<b>GAAP gross margin percent (% of net sales)</b>	40.8%	41.0%	39.7%	39.8%	38.5%
<b>Non-GAAP adjusted gross margin percent (% of net sales)</b>	42.9%	43.2%	41.6%	42.1%	41.5%

# Reconciliation of GAAP to Non-GAAP Adjusted Operating Expenses

*(In millions)*

	<u>Three Months Ended</u> <u>July 28, 2013</u>	
<b>Operating expenses (GAAP basis)</b>	\$	556
Restructuring charges and asset impairments		(14)
Certain items associated with acquisitions		(7)
Acquisition integration costs		(4)
Gain on sale of facility		4
<b>Non-GAAP adjusted operating expenses</b>	<u>\$</u>	<u>535</u>

# Reconciliation of GAAP to Non-GAAP Adjusted SSG Operating Income and Margin

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
<i>(In millions, except percentages)</i>					
<b>Net sales (GAAP basis)</b>	\$ 1,272	\$ 1,291	\$ 1,545	\$ 3,532	\$ 4,666
<b>Reported operating income (GAAP basis)</b>	\$ 246	\$ 283	\$ 427	\$ 663	\$ 1,202
Certain items associated with acquisitions	42	45	47	131	208
Acquisition integration and deal costs, net	(5)	1	7	(3)	31
Restructuring charges and asset impairments	-	-	1	1	1
<b>Non-GAAP adjusted operating income</b>	\$ 283	\$ 329	\$ 482	\$ 792	\$ 1,442
<b>GAAP operating margin percent (% of net sales)</b>	19.3%	21.9%	27.6%	18.8%	25.8%
<b>Non-GAAP adjusted operating margin percent (% of net sales)</b>	22.2%	25.5%	31.2%	22.4%	30.9%

# Reconciliation of GAAP to Non-GAAP Adjusted AGS Operating Income and Margin

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
<i>(In millions, except percentages)</i>					
<b>Net Sales (GAAP basis)</b>	<u>\$ 497</u>	<u>\$ 517</u>	<u>\$ 579</u>	<u>\$ 1,485</u>	<u>\$ 1,664</u>
<b>Reported operating income (GAAP basis)</b>	\$ 114	\$ 118	\$ 122	\$ 321	\$ 338
Certain items associated with acquisitions	2	1	2	4	10
Restructuring charges and asset impairments	-	1	11	2	11
<b>Non-GAAP adjusted operating income</b>	<u>\$ 116</u>	<u>\$ 120</u>	<u>\$ 135</u>	<u>\$ 327</u>	<u>\$ 359</u>
<b>GAAP operating margin percent (% of net sales)</b>	22.9%	22.8%	21.1%	21.6%	20.3%
<b>Non-GAAP adjusted operating margin percent (% of net sales)</b>	23.3%	23.2%	23.3%	22.0%	21.6%



# Reconciliation of GAAP to Non-GAAP Adjusted Display Operating Income and Margin

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
<i>(In millions, except percentages)</i>					
<b>Net Sales (GAAP basis)</b>	<u>\$ 161</u>	<u>\$ 127</u>	<u>\$ 142</u>	<u>\$ 375</u>	<u>\$ 380</u>
<b>Reported operating income (GAAP basis)</b>	\$ 33	\$ 19	\$ 10	\$ 55	\$ 23
Certain items associated with acquisitions	<u>1</u>	<u>2</u>	<u>2</u>	<u>5</u>	<u>6</u>
<b>Non-GAAP adjusted operating income</b>	<u>\$ 34</u>	<u>\$ 21</u>	<u>\$ 12</u>	<u>\$ 60</u>	<u>\$ 29</u>
<b>GAAP operating margin percent (% of net sales)</b>	20.5%	15.0%	7.0%	14.7%	6.1%
<b>Non-GAAP adjusted operating margin percent (% of net sales)</b>	21.1%	16.5%	8.5%	16.0%	7.6%

# Reconciliation of GAAP to Non-GAAP Adjusted EES Operating Loss and Margin

	Three Months Ended			Nine Months Ended	
	July 28, 2013	April 28, 2013	July 29, 2012	July 28, 2013	July 29, 2012
<i>(In millions, except percentages)</i>					
<b>Net Sales (GAAP basis)</b>	<u>\$ 45</u>	<u>\$ 38</u>	<u>\$ 77</u>	<u>\$ 129</u>	<u>\$ 363</u>
<b>Reported operating loss (GAAP basis)</b>	\$ (27)	\$ (322)	\$ (102)	\$ (403)	\$ (188)
Certain items associated with acquisitions	2	5	6	14	18
Impairment of goodwill and intangible assets	-	278	-	278	-
Restructuring charges and asset impairments	<u>10</u>	<u>5</u>	<u>32</u>	<u>18</u>	<u>32</u>
<b>Non-GAAP adjusted operating loss</b>	<u>\$ (15)</u>	<u>\$ (34)</u>	<u>\$ (64)</u>	<u>\$ (93)</u>	<u>\$ (138)</u>
<b>GAAP operating margin percent (% of net sales)</b>	-60.0%	-847.4%	-132.5%	-312.4%	-51.8%
<b>Non-GAAP adjusted operating margin percent (% of net sales)</b>	-33.3%	-89.5%	-83.1%	-72.1%	-38.0%

# Reconciliation of GAAP to Non-GAAP Adjusted Effective Tax Rate

	<u>Three Months Ended</u> <u>July 28, 2013</u>
<i>(In millions, except percentages)</i>	
<b>Provision for income taxes (GAAP basis)</b>	\$ 60
Income tax effect of non-GAAP adjustments	7
Resolutions of prior years' income tax filings	<u>3</u>
<b>Non-GAAP adjusted provision for income taxes</b>	<u>\$ 70</u>
<b>Income before income taxes (GAAP basis)</b>	228
Certain items associated with acquisitions	47
Acquisition integration costs	5
Restructuring charges and asset impairments	14
Impairment of strategic investments	3
Gain on sale of facility	<u>(4)</u>
<b>Non-GAAP adjusted income before income taxes</b>	<u>\$ 293</u>
<b>Effective income tax rate (GAAP basis)</b>	26.3%
<b>Non-GAAP adjusted effective income tax rate</b>	23.9%

