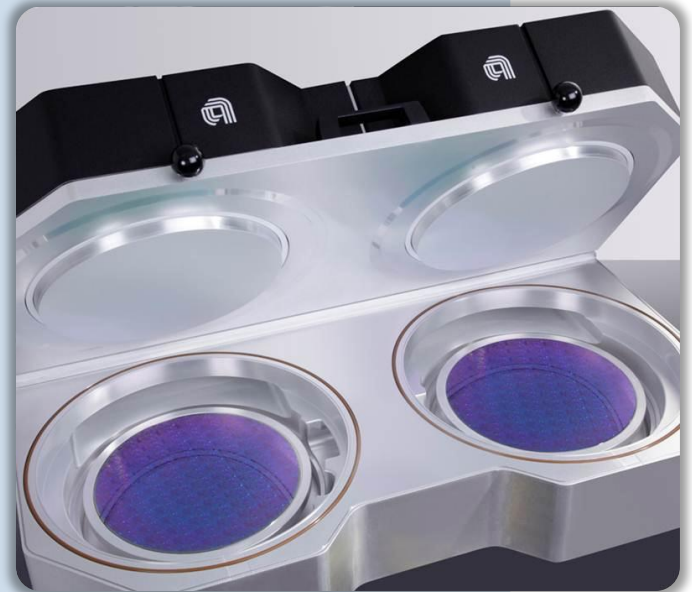




Fourth Quarter & Fiscal Year 2011 Earnings Call Highlights

November 16, 2011

The Applied Producer® Black Diamond™ 3 deposition system deposits critical low-k dielectric films that insulate the miles of copper wiring that connect a chip's transistors to the outside world. This technology enables higher speed, more power-efficient smartphones, tablets and PCs.



Safe Harbor Statement

This presentation contains forward-looking statements, including those regarding Applied's performance, opportunities, and Q1'12 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; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets, (ii) plan and manage its resources and production capability, (iii) successfully integrate Varian's operations, product lines, technology and employees and realize synergies, (iv) align its cost structure with business conditions, (v) attract, motivate and retain key employees, and (vi) accurately forecast future operating and financial results, which depends on multiple assumptions related to, without limitation, market conditions, customer requirements and business needs; and other risks described in Applied Materials' SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of November 16, 2011. Applied undertakes no obligation to update any forward-looking statements.

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

Contents

- Q4 FY'11 & FY'11 highlights
- Q4 FY'11 financial summary (consolidated)
- Reporting segments
- Q1 FY'12 expectations
- GAAP to non-GAAP reconciliations and reclassifications

Quarter & Fiscal Year Highlights

Q4 FY'11

- Q4'11 net sales of \$2.18B, up 10% year over year and down 22% sequentially
- Q4'11 EPS of \$0.34 including a one time tax benefit; Q4'11 non-GAAP EPS of \$0.21
- Operating cash flow of \$698M or 32% of revenues, including a \$276M tax refund
- Cash dividends of \$106M, used \$175M to repurchase 16M shares at an average price of \$11.04 per share

FY 2011

- Record full-year revenue and EPS
- FY 2011 net sales of \$10.52B, EPS of \$1.45 & non-GAAP EPS of \$1.30
- Invested \$1.1B in R&D and engineering and generated a record \$2.4B in operating cash flow
- Increased quarterly dividend payment by 14% and returned \$865M through dividends and stock buybacks

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

Q4'11 Income Statement Summary (consolidated)

New orders: \$1.60B – down 33% from Q3'11

Backlog: \$2.39B – down 26% from Q3'11

– Decrease of \$851M, including \$271M in negative adjustments

Net sales: \$2.18B – down 22% from Q3'11

Gross margin: 39.0% – down 3.5 percentage points from Q3'11

– Primarily due to overall decline in revenues

Operating income/margin: \$361M or 16.5% of net sales

Effective tax rate was a benefit of 32.7%, including tax refund of \$276M

Non-GAAP tax rate was a provision of 26.6%**

GAAP net income of \$456M or \$0.34 per diluted share

Non-GAAP net income of \$271M or \$0.21 per diluted share*

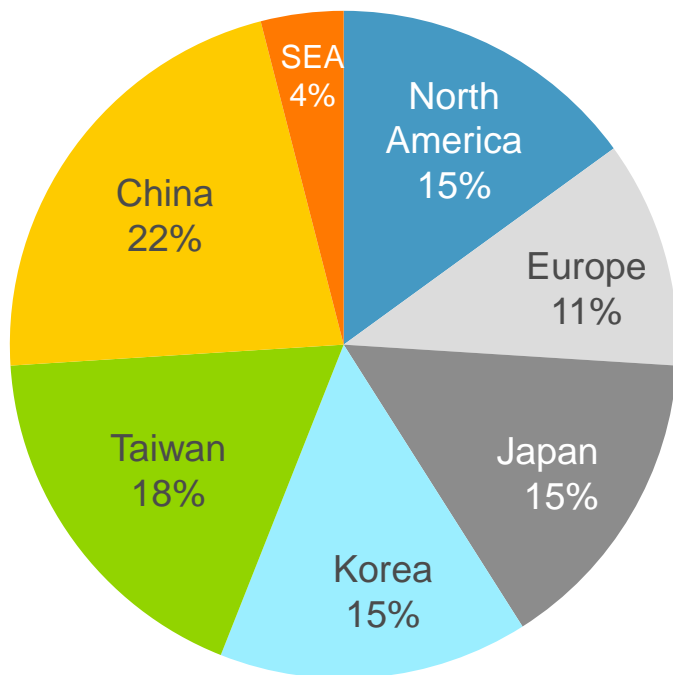
* See slide 19 for reconciliation of GAAP to non-GAAP measures

**See slide 23 for reconciliation of GAAP to non-GAAP effective tax rate

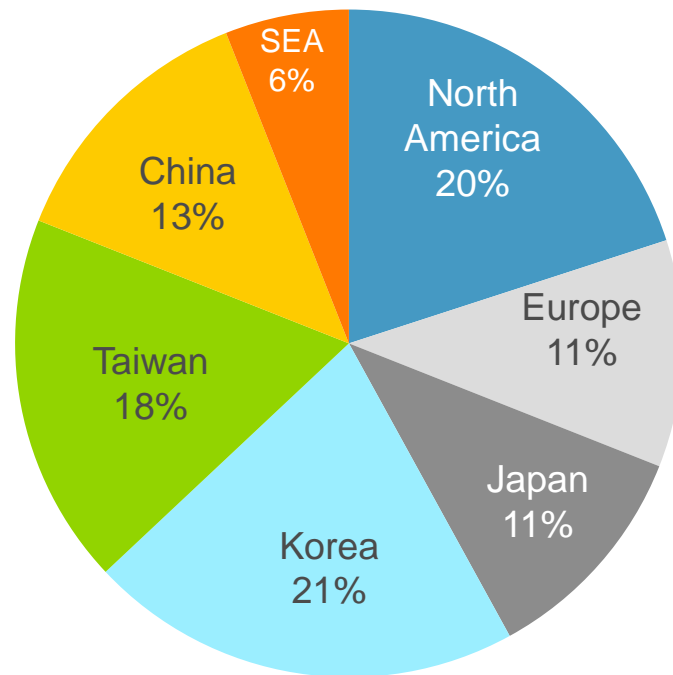
Summary Income Statement (consolidated)

Unaudited \$ Amounts in Millions Except EPS	Q4'11	Q3'11	Q4'10
New Orders	\$1,595	\$2,390	\$3,026
Net Sales	\$2,182	\$2,787	\$2,886
Gross Margin	39.0%	42.5%	42.2%
RD&E	12.3%	10.1%	9.6%
SG&A	10.2%	8.6%	8.4%
Operating Margin	16.5%	24.6%	24.2%
Net Income	\$456	\$476	\$468
Net Income %	20.9%	17.1%	16.2%
EPS	\$0.34	\$0.36	\$0.35

New Orders Regional Distribution (consolidated)

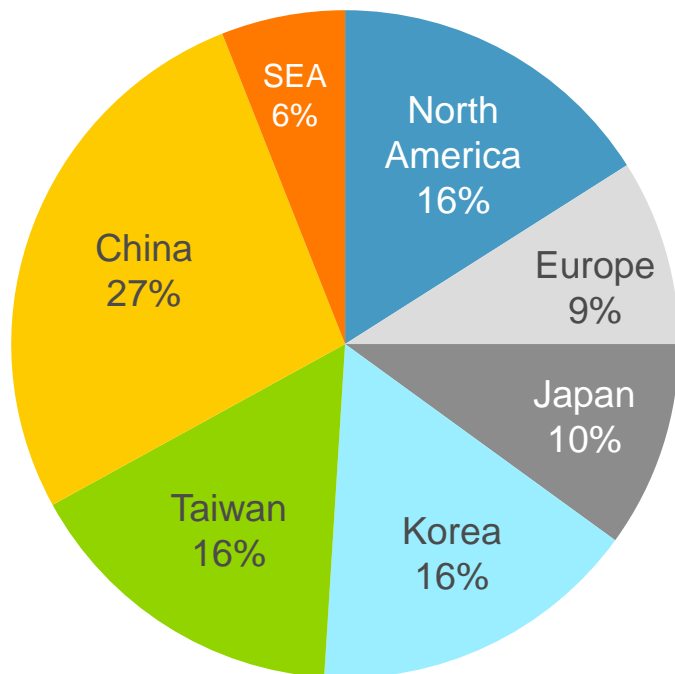


Q3 FY'11
\$2.39 Billion

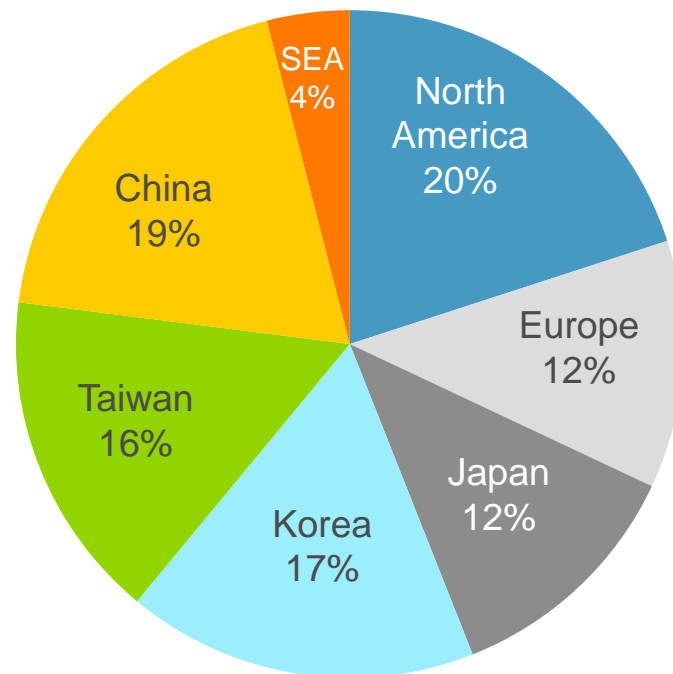


Q4 FY'11
\$1.60 Billion

Net Sales Regional Distribution (consolidated)



Q3 FY'11
\$2.79 Billion



Q4 FY'11
\$2.18 Billion

Q4'11 Balance Sheet Summary (consolidated)

Cash/cash equivalents and investments increased ~\$366M to \$7.2B

- After the end of the quarter, Applied completed acquisition of Varian Semiconductor Equipment for approx. \$4.2B, net of cash acquired

Inventory: \$1.70B – down \$147 million from Q3'11

DSO*: 64 days, compared to 59 days in Q3'11

Capital spending: \$73M

Depreciation and amortization: \$59M

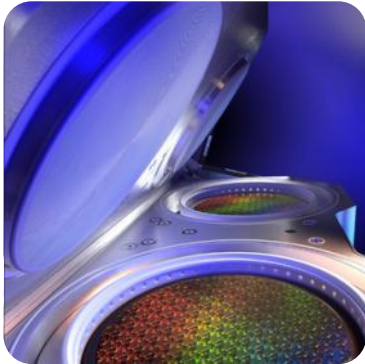
Headcount: ~12,900 regular employees (excluding temporary and interns)

* Days Sales Outstanding

Summary Balance Sheet

Unaudited \$ Amounts in Millions except EPS	Q4'11	Q3'11	Q4'10
Cash, Cash Equivalents & Investments	\$7,174	\$6,809	\$3,892
Accounts Receivables, Net	\$1,532	\$1,812	\$1,831
Inventories	\$1,701	\$1,849	\$1,547
Property, Plant & Equip., Net	\$866	\$854	\$963
Total Assets	\$13,861	\$14,103	\$10,943
Long-term Debt	\$1,947	\$1,947	\$204
Total Stockholders' Equity	\$8,800	\$8,551	\$7,536
Current Ratio	3.7	3.1	2.3
Total Debt / Capital Ratio	18.1%	18.5%	2.7%

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

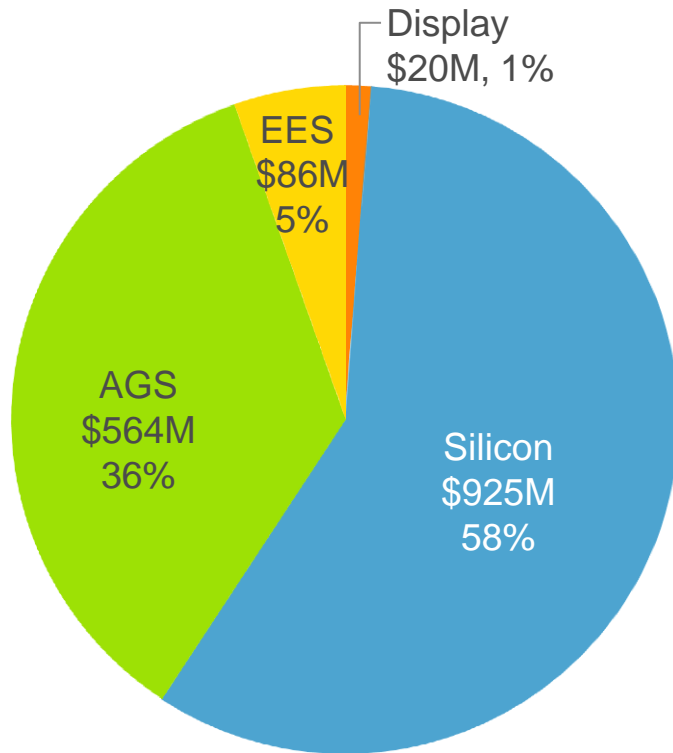


ENERGY & ENVIRONMENTAL SOLUTIONS

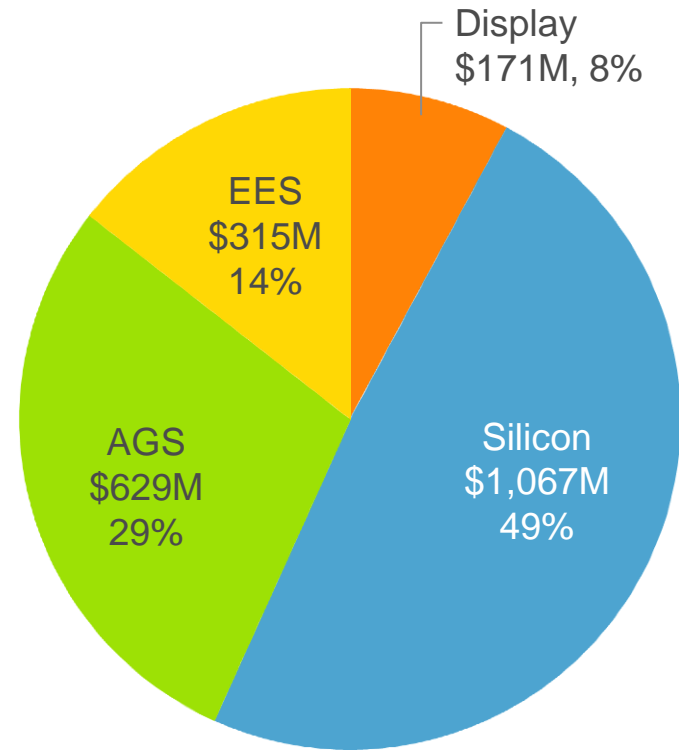
Designs, manufactures and sells equipment used to fabricate solar cells, modules and flexible electronics

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

Q4'11 New Orders & Net Sales by Segment

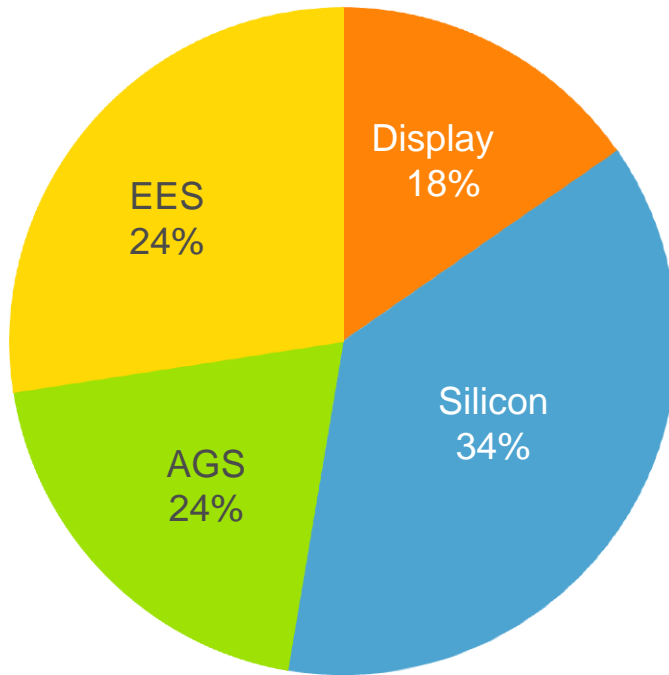


New Orders
\$1.60 Billion

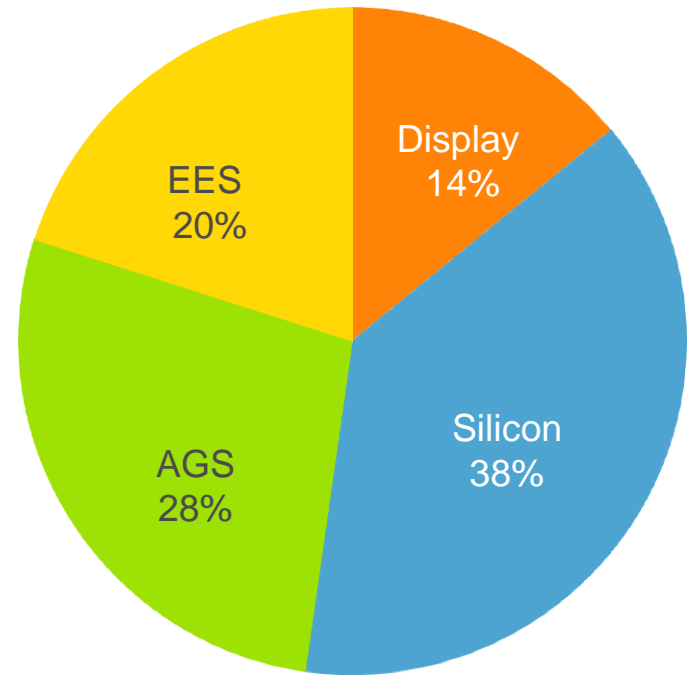


Net Sales
\$2.18 Billion

Backlog by Segment



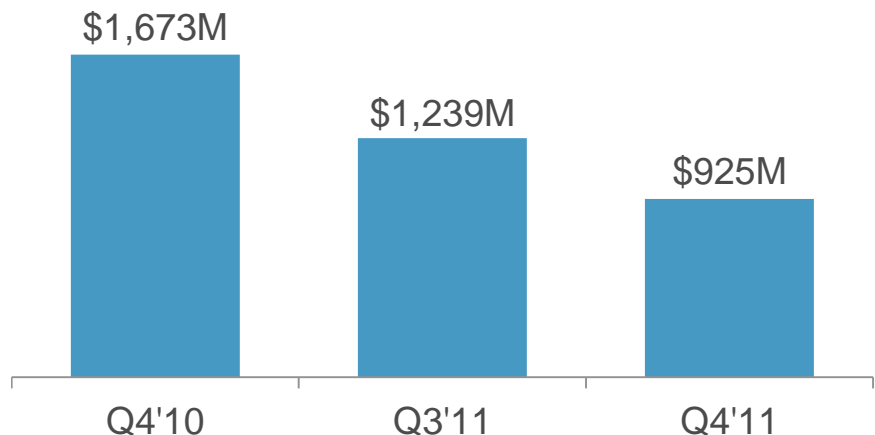
Q3 FY'11
\$3.24 Billion



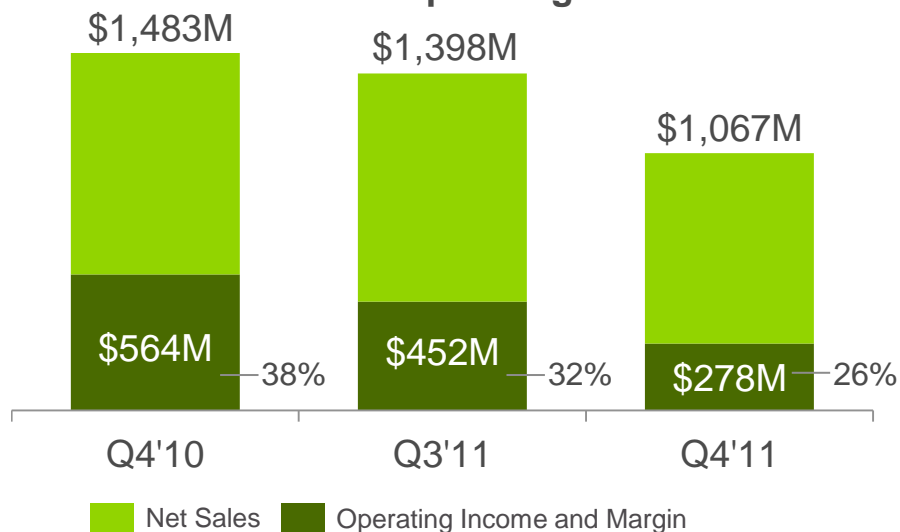
Q4 FY'11
\$2.39 Billion

Silicon Systems Group Segment

New Orders



Net Sales & Operating Income

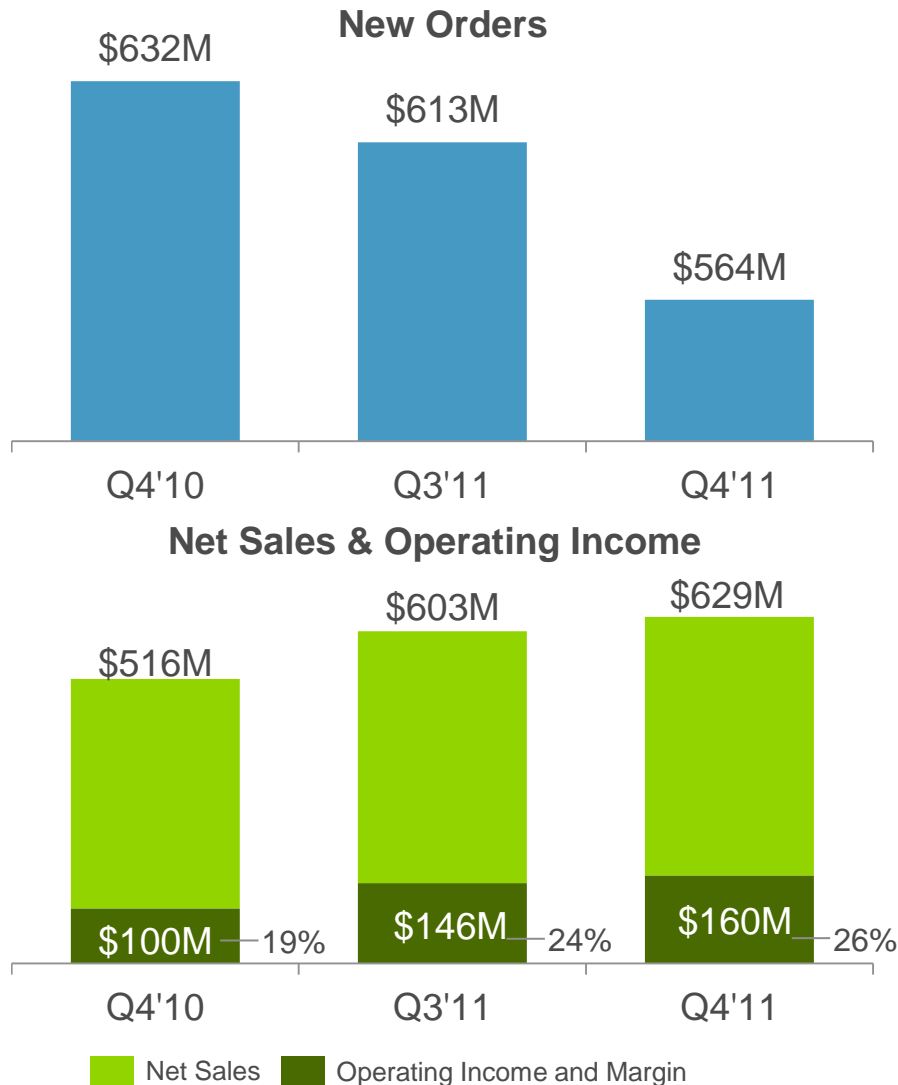


- Orders were \$925M, down 25% QoQ
 - Primarily due to weaker demand in Flash & DRAM
- Net sales were \$1.07B, down 24% QoQ
- Operating income of \$278M or 26% of net sales
 - Operating margin down ~6 percentage points sequentially reflecting lower revenues

Q4'11 ORDERS BY CUSTOMER SEGMENT

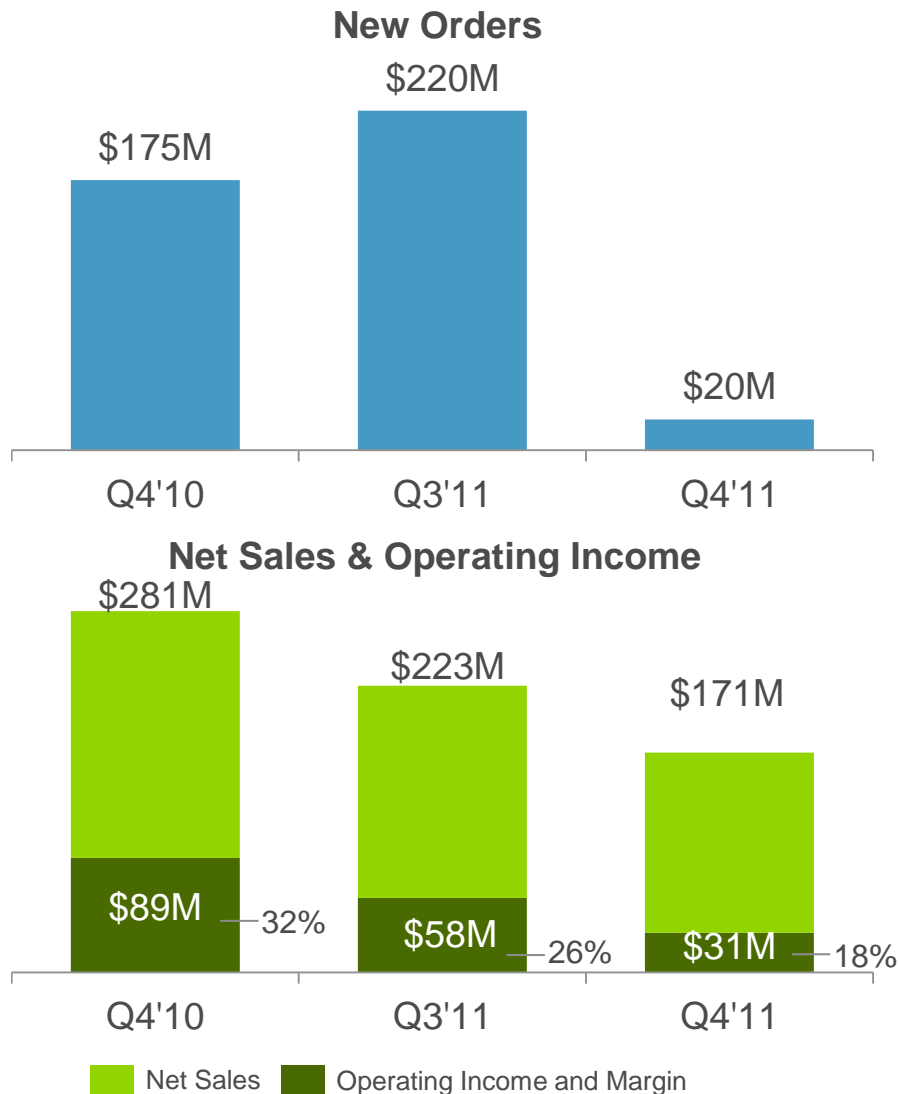
Foundry	DRAM	Flash	Logic & Others
46%	7%	15%	32%

Applied Global Services Segment



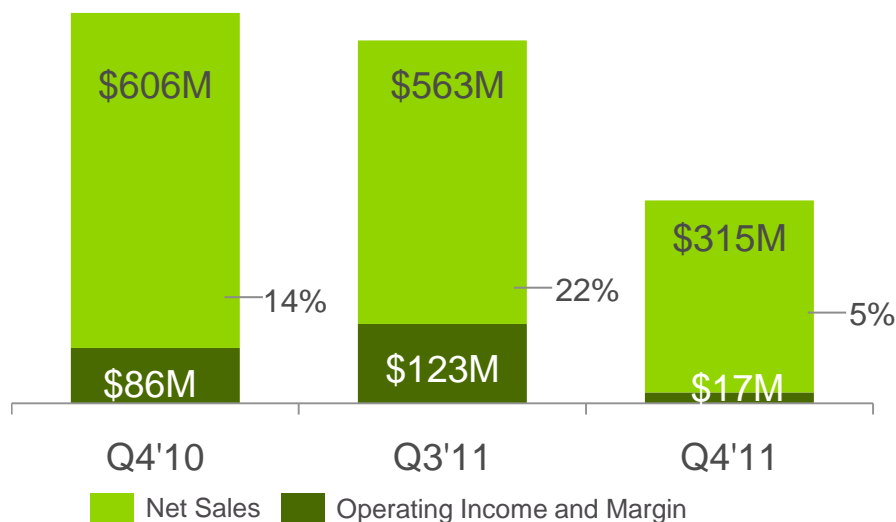
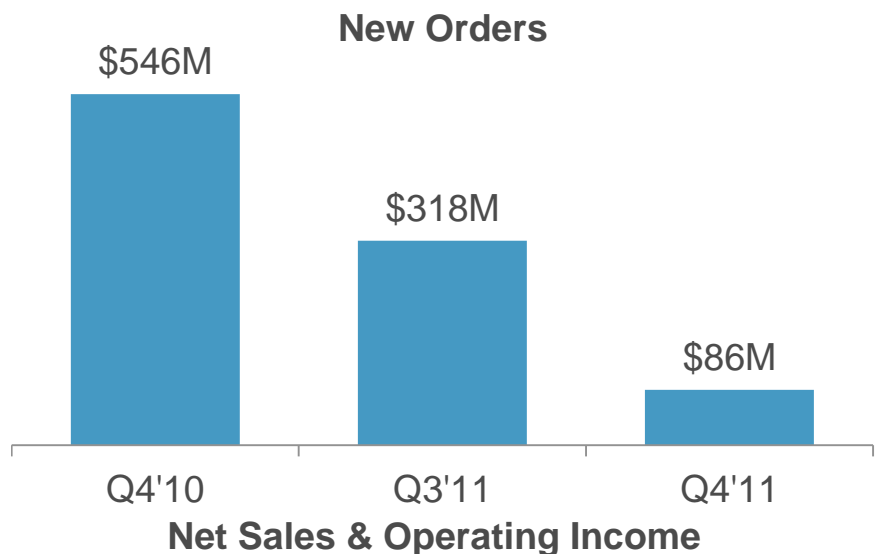
- Orders were \$564M, down 8% QoQ
- Net sales were \$629M, up 4% QoQ
 - Included \$71M from two thin film solar production lines in backlog
- Operating income of \$160M or 26% of net sales
 - Approximately 2 percentage point sequential increase reflecting increase in net sales

Display Segment



- Orders were \$20M, down 91% QoQ
 - Due to lower demand for TV and mobile device display equipment
- Net sales were \$171M, down 23% QoQ
- Operating income of \$31M or 18% of net sales
 - Approximately 8 percentage points sequential decline driven by lower net sales and a higher proportion of lower margin products

Energy & Environmental Solutions Segment



- Orders were \$86M, down 73% QoQ
 - Primarily due to customers digesting capacity additions
- Net sales were \$315M, down 44% QoQ
- Operating income of \$17M or 5% of net sales
 - Approximately 16.5 percentage points sequential decline reflecting net sales decline

Q1'12 Expectations

(As of November 16, 2011)

Net Sales	Down 5-15% from Q4'11
Non-GAAP EPS*	\$0.08 to \$0.16

* Excludes known charges related to completed acquisitions of approximately \$0.10 per share; outlook does not exclude other non-GAAP adjustments that may arise subsequent to Q4'11 earnings release. See slide 29 for non-GAAP EPS reconciliation

Reconciliation of GAAP to Non-GAAP Results

<i>(In millions, except per share amounts)</i>	Three Months Ended			Twelve Months Ended	
	October 30, 2011	July 31, 2011	October 31, 2010	October 30, 2011	October 31, 2010
Non-GAAP Operating Income					
Reported operating income (GAAP basis)	\$ 361	\$ 687	\$ 699	\$ 2,398	\$ 1,384
Certain items associated with acquisitions ¹	13	12	14	51	91
Varian and Semitool deal cost	10	9	–	19	10
Restructuring charges and asset impairments ^{2,3,4,5}	–	3	(2)	(30)	246
Gain on sale of facilities, net	–	(28)	–	(27)	–
Non-GAAP operating income	<u>\$ 384</u>	<u>\$ 683</u>	<u>\$ 711</u>	<u>\$ 2,411</u>	<u>\$ 1,731</u>
Non-GAAP Net Income					
Reported net income (GAAP basis)	\$ 456	\$ 476	\$ 468	\$ 1,926	\$ 938
Certain items associated with acquisitions ¹	13	12	14	51	91
Varian and Semitool deal cost	10	9	–	19	10
Restructuring charges and asset impairments ^{2,3,4,5}	–	3	(2)	(30)	246
Impairment of strategic investments	3	–	–	3	13
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	(203)	–	–	(203)	–
Income tax effect of non-GAAP adjustments	(8)	(5)	(4)	(3)	(117)
Non-GAAP net income	<u>\$ 271</u>	<u>\$ 467</u>	<u>\$ 476</u>	<u>\$ 1,723</u>	<u>\$ 1,181</u>
Non-GAAP Earnings Per Diluted Share					
Reported earnings per diluted share (GAAP basis)	\$ 0.34	\$ 0.36	\$ 0.35	\$ 1.45	\$ 0.70
Certain items associated with acquisitions	0.01	0.01	0.01	0.03	0.05
Varian and Semitool deal cost	0.01	–	–	0.01	0.01
Restructuring charges and asset impairments	–	–	–	(0.01)	0.12
Impairment of strategic investments	–	–	–	–	–
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	(0.15)	–	–	(0.16)	–
Non-GAAP earnings per diluted share	<u>\$ 0.21</u>	<u>\$ 0.35</u>	<u>\$ 0.36</u>	<u>\$ 1.30</u>	<u>\$ 0.88</u>
Weighted average number of diluted shares	1,321	1,330	1,340	1,330	1,349

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 31, 2011 included asset impairment charges of \$3 million related to certain fixed assets.

³ Results for the three months ended October 31, 2010 included a \$2 million reinstatement of certain fixed assets that were previously impaired in connection with a restructuring program announced on July 21, 2010.

⁴ Results for the twelve months ended October 30, 2011 included asset impairment charges of \$30 million primarily related to certain intangible assets, offset by 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.

⁵ Results for the twelve months ended October 31, 2010 included asset impairment charges of \$108 million and restructuring charges of \$45 million related to a restructuring program announced on July 21, 2010, restructuring charges of \$84 million associated with a restructuring program announced on November 11, 2009, and asset impairment charges of \$9 million related to a facility held for sale.

Detail of Certain Items Associated with Acquisitions*

	Three Months Ended		
	October 30, 2011	July 31, 2011	October 31, 2010
Certain items associated with acquisitions		(in thousands)	
Cost of products sold	\$ 9,871	\$ 8,729	\$ 10,143
General and administrative	9,953	8,841	-
Marketing and selling	3,349	3,348	3,622
Total	<u>\$ 23,173</u>	<u>\$ 20,918</u>	<u>\$ 13,765</u>

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

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

	Three Months Ended	
	October 30, 2011 (in millions)	July 31, 2011 (in millions)
Net sales (GAAP basis)	\$ 2,182	\$ 2,787
Gross margin (GAAP basis)	\$ 852	\$ 1,184
Certain items associated with acquisitions	10	9
Non-GAAP gross margin	\$ 862	\$ 1,193
GAAP gross margin (% of net sales)	39.0%	42.5%
Non-GAAP gross margin (% of net sales)	39.5%	42.8%

Reconciliation of GAAP to Non-GAAP Operating Expenses

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

	Three Months Ended	
	October 30, 2011	January 29, 2012
	Reported	Forecasted
	(in millions)	(in millions)
Reported and forecasted operating expenses (GAAP basis)	\$ 491	\$584 - \$604
Certain items associated with acquisitions	(3)	(11)
Varian deal cost	(10)	(23)
Non-GAAP operating expenses	<u>\$ 478</u>	<u>\$550 - \$570</u>

The forecast does not take into account other non-GAAP adjustments that may arise subsequent to Q4'11 earnings release

Reconciliation of GAAP to Non-GAAP Effective Tax Rate (Q4'11)

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP EFFECTIVE TAX RATE
FISCAL QUARTER ENDED OCTOBER 30, 2011

(In millions)	Non-GAAP adjustments					Non-GAAP
	GAAP	Certain items associated with acquisitions	Varian deal cost	Impairment of strategic investments	Resolution of prior years' income tax filings	
Operating income	\$ 361	13	10			\$ 384
Other expense, net	<u>17</u>			(3)		<u>14</u>
Income before income taxes	343					370
Provision (benefit) for income taxes	<u>(112)</u>	<u>4</u>	<u>2</u>	<u>1</u>	<u>203</u>	<u>98</u>
Net income	<u>\$ 456</u>	9	8	2	(203)	<u>\$ 271</u>
Income tax rate	-32.7%					26.6%

Reconciliation of GAAP to Non-GAAP Effective Tax Rate (FY'11)

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP EFFECTIVE TAX RATE
FISCAL YEAR ENDED OCTOBER 30, 2011

(In millions)	Non-GAAP adjustments									Non-GAAP
	GAAP	Certain items associated with acquisitions	Varian deal cost	Restructuring and asset impairments	Impairment of strategic investments	Gain on sale of facilities, net	Return to provision adjustment	Reinstatement of federal R&D tax credit	Resolution of prior years' income tax filings	
Operating income	\$ 2,398	51	19	(30)		(27)				\$ 2,411
Other expense, net	<u>20</u>				(3)					<u>17</u>
Income before income taxes	2,378									2,394
Provision (benefit) for income taxes	<u>452</u>	<u>17</u>	<u>5</u>	<u>(18)</u>	<u>1</u>	<u>0</u>	<u>(2)</u>	<u>13</u>	<u>203</u>	<u>671</u>
Net income	<u>\$ 1,926</u>	34	14	(12)	2	(27)	2	(13)	(203)	<u>\$ 1,723</u>
Income tax rate	19.0%									28.0%

Reconciliation of GAAP to Non-GAAP SSG Operating Margin

	Three Months Ended	
	October 30, 2011 (in millions)	July 31, 2011 (in millions)
Net sales (GAAP basis)	\$ 1,067	\$ 1,398
Operating income (GAAP basis)	\$ 278	\$ 452
Certain items associated with acquisitions	3	3
Varian deal cost	3	-
Non-GAAP operating income	\$ 284	\$ 455
GAAP operating margin (% of net sales)	26.1%	32.4%
Non-GAAP operating margin (% of net sales)	26.6%	32.6%

Reconciliation of GAAP to Non-GAAP

AGS Operating Margin

	Three Months Ended	
	October 30, 2011 (in millions)	July 31, 2011 (in millions)
Net sales (GAAP basis)	\$ 629	\$ 603
Operating income (GAAP basis)	\$ 160	\$ 146
Certain items associated with acquisitions	2	2
Non-GAAP operating income	\$ 162	\$ 148
GAAP operating margin (% of net sales)	25.4%	24.3%
Non-GAAP operating margin (% of net sales)	25.7%	24.5%

Reconciliation of GAAP to Non-GAAP Display Operating Margin

	Three Months Ended	
	October 30, 2011 (in millions)	July 31, 2011 (in millions)
Net sales (GAAP basis)	\$ 171	\$ 223
Operating income (GAAP basis)	\$ 31	\$ 58
Certain items associated with acquisitions	2	2
Non-GAAP operating income	\$ 33	\$ 60
GAAP operating margin (% of net sales)	18.1%	25.8%
Non-GAAP operating margin (% of net sales)	19.3%	26.7%

Reconciliation of GAAP to Non-GAAP EES Operating Margin

	Three Months Ended	
	October 30, 2011 (in millions)	July 31, 2011 (in millions)
Net sales (GAAP basis)	\$ 315	\$ 563
Operating income (GAAP basis)	\$ 17	\$ 123
Certain items associated with acquisitions	6	6
Restructuring charges and asset impairments	-	3
Non-GAAP operating income	\$ 23	\$ 132
GAAP operating margin (% of net sales)	5.4%	21.8%
Non-GAAP operating margin (% of net sales)	7.3%	23.4%

Reconciliation of Forecasted Non-GAAP EPS

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

	Three Months Ended January 29, 2012
	Forecasted
Forecasted EPS (GAAP basis)	(\$0.02) - \$0.06
Known charges related to completed acquisitions	<u>\$0.10</u>
Forecasted non-GAAP EPS three months ended January 29, 2012	<u><u>\$0.08 - \$0.16</u></u>

The forecast does not exclude other adjustments that may arise subsequent to Q4'11 earnings release



Turning innovations
into industries.™