



NEWS RELEASE

APPLIED MATERIALS DELIVERS SOLID THIRD QUARTER RESULTS

- *Results in line with business outlook in a challenging environment*
- *Net sales of \$2.34 billion with non-GAAP EPS of 24 cents and GAAP EPS of 17 cents*
- *Operating cash flow exceeded \$650 million or 28 percent of net sales*
- *Share repurchases increased 150% versus the prior quarter to \$500 million*

SANTA CLARA, Calif., August 15, 2012 — Applied Materials, Inc. (NASDAQ:AMAT), the global leader in manufacturing solutions for the semiconductor, display and solar industries, today reported results for its third quarter of fiscal 2012 ended July 29, 2012.

Applied generated orders of \$1.80 billion and net sales of \$2.34 billion. Non-GAAP operating income was \$431 million, and non-GAAP net income was \$300 million or 24 cents per share. GAAP operating income was \$322 million, and GAAP net income was \$218 million or 17 cents per share.

“We delivered solid financial performance in line with our outlook despite challenging industry conditions in semiconductor, display and solar,” said Mike Splinter, chairman and CEO. “Economic uncertainty is weighing on top of a seasonal pullback to produce weaker near-term demand.”

“Applied generated strong operating cash flow and ramped the return of cash to shareholders, buying back 3.6 percent of shares outstanding in the quarter,” said George Davis, executive vice president and CFO. “In a difficult environment, we are controlling spending while ensuring we prioritize investment in key areas to support future growth.”

Quarterly Results Summary

| GAAP Results | Q3 FY2012 | Q2 FY2012 | Q3 FY2011 |
|----------------------------------|----------------|----------------|----------------|
| Net sales | \$2.34 billion | \$2.54 billion | \$2.79 billion |
| Operating income | \$322 million | \$409 million | \$687 million |
| Net income | \$218 million | \$289 million | \$476 million |
| Diluted earnings per share (EPS) | \$0.17 | \$0.22 | \$0.36 |
| Non-GAAP Results | | | |
| Non-GAAP operating income | \$431 million | \$490 million | \$683 million |
| Non-GAAP net income | \$300 million | \$349 million | \$467 million |
| Non-GAAP diluted EPS | \$0.24 | \$0.27 | \$0.35 |

Third quarter results included \$44 million of restructuring and asset impairment charges, consisting primarily of costs associated with the EES restructuring plan announced on May 10, 2012. The plan also resulted in inventory-related charges of approximately \$13 million that lowered gross margin by approximately half a percentage point and earnings per share by \$0.01 on both a GAAP and non-GAAP basis.

During the quarter, Varian generated orders of \$241 million and net sales of \$294 million which were reported within the Silicon Systems Group (SSG) and Applied Global Services (AGS) segments. The business contributed approximately \$0.04 to the company's non-GAAP EPS, which excluded acquisition-related charges equivalent to approximately \$0.03 per share.

Applied's non-GAAP results exclude the impact of the following, where applicable: certain discrete tax items, restructuring and asset impairment charges and any associated adjustments related to restructuring actions, certain acquisition-related costs, investment impairments, and gain or loss on sale of facilities. A reconciliation of the GAAP and non-GAAP results is provided in the financial statements included in this release. See also "Use of Non-GAAP Financial Measures" below.

Third Quarter Reportable Segment Results and Comparisons to the Second Quarter

Silicon Systems Group (SSG) orders were \$1.17 billion, down 41 percent, primarily due to lower demand from foundry and logic customers. Net sales were \$1.55 billion, down 13 percent. Non-GAAP operating income decreased to \$482 million or 31.2 percent of net sales. GAAP operating income decreased to \$427 million or 27.6 percent of net sales. New order composition was: foundry 58 percent, flash 19 percent, logic and other 13 percent, and DRAM 10 percent.

Applied Global Services (AGS) orders were \$531 million, down 18 percent from the prior quarter which benefited from a thin film production line order. Net sales were \$579 million, up 5 percent. Non-GAAP operating income increased to \$135 million or 23.3 percent of net sales. GAAP operating income increased to \$122 million or 21.1 percent of net sales.

Display orders were \$67 million, down 20 percent. Net sales were \$142 million, up 6 percent. Non-GAAP operating income increased to \$12 million or 8.5 percent of net sales. GAAP operating income increased to \$10 million or 7 percent of net sales.

Energy and Environmental Solutions (EES) orders were \$35 million, down 44 percent. Net sales were \$77 million, down 3 percent. EES had a non-GAAP operating loss of \$64 million and a GAAP operating loss of \$102 million.

Additional Quarterly Financial Information and Comparisons to the Second Quarter

- Backlog decreased by \$551 million to \$1.82 billion.
- Gross margin was 41.6 percent on a non-GAAP basis, down from 42.1 percent, in line with the decrease in net sales. GAAP gross margin of 39.7 percent was down slightly from 39.8 percent.
- The effective income tax rate was 27.0 percent on a non-GAAP basis and 27.8 percent on a GAAP basis.
- Cash, cash equivalents and investments were essentially flat at \$3.2 billion.

Business Outlook

For the fourth quarter of fiscal 2012, Applied expects net sales to be 25 percent to 40 percent lower sequentially. The company expects non-GAAP EPS to be in the range of \$0.00 to \$0.06. The non-GAAP EPS outlook excludes known charges related to completed acquisitions of approximately \$0.05 per share but does not exclude other non-GAAP adjustments that may arise subsequent to this release.

Use of Non-GAAP Financial Measures

Management uses non-GAAP results to evaluate the company's operating and financial performance in light of business objectives and for planning purposes. These measures are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. Applied believes these measures enhance investors' ability to review the company's business from the same perspective as the company's management and facilitate comparisons of this period's results with prior periods. The presentation of this additional information should not be considered a substitute for results prepared in accordance with GAAP.

Webcast Information

Applied Materials will discuss these results during an earnings call that begins at 1:30 p.m. Pacific Time today. A live webcast will be available at www.appliedmaterials.com.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding Applied's performance, industry and economic outlooks, spending, investment, growth strategies, and business outlooks for the fourth quarter of fiscal 2012. Forward-looking statements may contain words such as "expect," "believe," "may," "can," "should," "will," "anticipate" or similar expressions, and include the assumptions that underlie such statements. 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, business and consumer spending, demand for electronic products and semiconductors, government renewable energy policies and incentives, and customers' utilization rates and new technology and capacity requirements; variability of operating expenses and results among the company's segments caused by differing conditions in the served markets; the concentrated nature of Applied's customer base; Applied's ability to (i) develop, deliver and support a broad range of products, expand its markets and develop new markets, (ii) timely align its cost structure with business conditions and achieve targeted efficiencies from cost-reduction activities, (iii) plan and manage its resources and production capability, (iv) integrate Varian's operations, product lines, technology and employees and realize synergies, (v) obtain and protect intellectual property rights in key technologies, (vi) attract, motivate and retain key employees, and (vii) 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 SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. The company undertakes no obligation to update any forward-looking statements.

About Applied Materials

Applied Materials, Inc. (Nasdaq:AMAT) is the global leader in providing innovative equipment, services and software to enable the manufacture of advanced semiconductor, flat panel display and solar photovoltaic products. Our technologies help make innovations like smartphones, flat screen TVs and solar panels more affordable and accessible to consumers and businesses around the world. At Applied Materials, we turn today's innovations into the industries of tomorrow. Learn more at www.appliedmaterials.com.

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APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| <i>(In millions, except per share amounts)</i> | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | July 29, 2012 | April 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Net sales | \$ 2,343 | \$ 2,541 | \$ 2,787 | \$ 7,073 | \$ 8,336 |
| Cost of products sold | 1,413 | 1,530 | 1,603 | 4,347 | 4,827 |
| Gross margin | 930 | 1,011 | 1,184 | 2,726 | 3,509 |
| Operating expenses: | | | | | |
| Research, development and engineering | 309 | 321 | 282 | 933 | 850 |
| Selling, general and administrative | 255 | 281 | 240 | 839 | 679 |
| Restructuring charges and asset impairments | 44 | — | 3 | 44 | (30) |
| Gain on sale of facilities, net | — | — | (28) | — | (27) |
| Total operating expenses | 608 | 602 | 497 | 1,816 | 1,472 |
| Income from operations | 322 | 409 | 687 | 910 | 2,037 |
| Impairment of strategic investments | — | 3 | — | 3 | — |
| Interest and other expenses | 24 | 23 | 25 | 72 | 35 |
| Interest and other income, net | 4 | 4 | 7 | 13 | 33 |
| Income before income taxes | 302 | 387 | 669 | 848 | 2,035 |
| Provision for income taxes | 84 | 98 | 193 | 224 | 564 |
| Net income | \$ 218 | \$ 289 | \$ 476 | \$ 624 | \$ 1,471 |
| Earnings per share: | | | | | |
| Basic | \$ 0.17 | \$ 0.22 | \$ 0.36 | \$ 0.49 | \$ 1.11 |
| Diluted | \$ 0.17 | \$ 0.22 | \$ 0.36 | \$ 0.48 | \$ 1.10 |
| Weighted average number of shares: | | | | | |
| Basic | 1,257 | 1,289 | 1,318 | 1,282 | 1,321 |
| Diluted | 1,268 | 1,301 | 1,330 | 1,292 | 1,333 |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

| <i>(In millions)</i> | July 29, 2012 | October 30, 2011 |
|---|------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,529 | \$ 5,960 |
| Short-term investments | 635 | 283 |
| Accounts receivable, net | 1,535 | 1,532 |
| Inventories | 1,380 | 1,701 |
| Deferred income taxes, net | 498 | 580 |
| Other current assets | 288 | 299 |
| Total current assets | <u>5,865</u> | <u>10,355</u> |
| Long-term investments | 1,058 | 931 |
| Property, plant and equipment, net | 917 | 866 |
| Goodwill | 3,939 | 1,335 |
| Purchased technology and other intangible assets, net | 1,410 | 211 |
| Deferred income taxes and other assets | 131 | 163 |
| Total assets | <u>\$ 13,320</u> | <u>\$ 13,861</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,410 | \$ 1,520 |
| Customer deposits and deferred revenue | 937 | 1,116 |
| Income taxes payable | 61 | 158 |
| Total current liabilities | <u>2,408</u> | <u>2,794</u> |
| Long-term debt | 1,946 | 1,947 |
| Deferred income taxes and income taxes payable | 386 | 104 |
| Employee benefits and other liabilities | 241 | 216 |
| Total liabilities | <u>4,981</u> | <u>5,061</u> |
| Total stockholders' equity | 8,339 | 8,800 |
| Total liabilities and stockholders' equity | <u>\$ 13,320</u> | <u>\$ 13,861</u> |

APPLIED MATERIALS, INC.
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

| <i>(In millions)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 218 | \$ 476 | \$ 624 | \$ 1,471 |
| Adjustments required to reconcile net income to cash provided by operating activities: | | | | |
| Depreciation and amortization | 105 | 59 | 325 | 187 |
| Net loss (gain) on dispositions and fixed asset retirements | 8 | (24) | 11 | (24) |
| Provision for bad debts | — | — | 9 | — |
| Restructuring charges and asset impairments | 44 | 3 | 44 | (30) |
| Deferred income taxes | 77 | (83) | 105 | (100) |
| Net loss on investments and amortization on debt securities | 6 | 8 | 16 | 13 |
| Impairment of strategic investments | — | — | 3 | — |
| Share-based compensation | 42 | 38 | 138 | 110 |
| Net change in operating assets and liabilities, net of amounts acquired | 156 | 123 | 165 | 101 |
| Cash provided by operating activities | 656 | 600 | 1,440 | 1,728 |
| Cash flows from investing activities: | | | | |
| Capital expenditures | (45) | (55) | (121) | (136) |
| Cash paid for acquisition, net of cash acquired | (3) | — | (4,189) | — |
| Proceeds from sale of facilities and dispositions, net of cash sold | — | 87 | — | 126 |
| Proceeds from sales and maturities of investments | 205 | 268 | 765 | 1,173 |
| Purchases of investments | (438) | (48) | (1,152) | (945) |
| Cash provided by (used in) investing activities | (281) | 252 | (4,697) | 218 |
| Cash flows from financing activities: | | | | |
| Debt borrowings (repayments), net | (1) | 1,744 | (1) | 1,744 |
| Payments of debt issuance costs | — | (14) | — | (14) |
| Proceeds from common stock issuances | 7 | 5 | 52 | 64 |
| Common stock repurchases | (500) | (25) | (900) | (293) |
| Payments of dividends to stockholders | (115) | (105) | (323) | (291) |
| Cash provided by (used in) financing activities | (609) | 1,605 | (1,172) | 1,210 |
| Effect of exchange rate changes on cash and cash equivalents | 2 | 3 | (2) | 4 |
| Increase (decrease) in cash and cash equivalents | (232) | 2,460 | (4,431) | 3,160 |
| Cash and cash equivalents — beginning of period | 1,761 | 2,558 | 5,960 | 1,858 |
| Cash and cash equivalents — end of period | \$ 1,529 | \$ 5,018 | \$ 1,529 | \$ 5,018 |
| Supplemental cash flow information: | | | | |
| Cash payments for income taxes | \$ 54 | \$ 105 | \$ 233 | \$ 661 |
| Cash refunds from income taxes | \$ 1 | \$ 2 | \$ 5 | \$ 4 |
| Cash payments for interest | \$ 39 | \$ — | \$ 87 | \$ 7 |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Reportable Segment Results

| <i>(In millions)</i> | Q3 FY2012 | | | Q2 FY2012 | | | Q3 FY2011 | | |
|----------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-------------------------|
| | New Orders | Net Sales | Operating Income (Loss) | New Orders | Net Sales | Operating Income (Loss) | New Orders | Net Sales | Operating Income (Loss) |
| SSG | \$ 1,166 | \$ 1,545 | \$ 427 | \$ 1,969 | \$ 1,777 | \$ 504 | \$ 1,239 | \$ 1,398 | \$ 452 |
| AGS | 531 | 579 | 122 | 650 | 551 | 109 | 613 | 603 | 146 |
| Display | 67 | 142 | 10 | 84 | 134 | 7 | 220 | 223 | 58 |
| EES | 35 | 77 | (102) | 62 | 79 | (63) | 318 | 563 | 123 |
| Corporate | — | — | (135) | — | — | (148) | — | — | (92) |
| Consolidated | <u>\$ 1,799</u> | <u>\$ 2,343</u> | <u>\$ 322</u> | <u>\$ 2,765</u> | <u>\$ 2,541</u> | <u>\$ 409</u> | <u>\$ 2,390</u> | <u>\$ 2,787</u> | <u>\$ 687</u> |

Corporate Unallocated Expenses

| <i>(In millions)</i> | Q3 FY2012 | Q2 FY2012 | Q3 FY2011 |
|----------------------------|---------------|---------------|--------------|
| Share-based compensation | 42 | 43 | 38 |
| Gain on sale of facilities | — | — | (28) |
| Other unallocated expenses | 93 | 105 | 82 |
| Corporate | <u>\$ 135</u> | <u>\$ 148</u> | <u>\$ 92</u> |

APPLIED MATERIALS, INC.
UNAUDITED SUPPLEMENTAL INFORMATION

Additional Information

| New Orders and Net Sales by Geography | Q3 FY2012 | | Q2 FY2012 | | Q3 FY2011 | |
|---------------------------------------|------------|-----------|------------|-----------|------------|-----------|
| | New Orders | Net Sales | New Orders | Net Sales | New Orders | Net Sales |
| <i>(In \$ millions)</i> | | | | | | |
| North America | 420 | 441 | 673 | 518 | 356 | 451 |
| % of Total | 23% | 19% | 24% | 20% | 15% | 16% |
| Europe | 172 | 184 | 271 | 229 | 254 | 259 |
| % of Total | 9% | 8% | 10% | 9% | 11% | 9% |
| Japan | 128 | 189 | 121 | 169 | 372 | 284 |
| % of Total | 7% | 8% | 4% | 7% | 15% | 10% |
| Korea | 299 | 392 | 704 | 750 | 362 | 432 |
| % of Total | 17% | 17% | 26% | 30% | 15% | 16% |
| Taiwan | 588 | 811 | 810 | 654 | 425 | 454 |
| % of Total | 33% | 34% | 29% | 26% | 18% | 16% |
| Southeast Asia | 91 | 72 | 68 | 64 | 87 | 156 |
| % of Total | 5% | 3% | 3% | 2% | 4% | 6% |
| China | 101 | 254 | 118 | 157 | 534 | 751 |
| % of Total | 6% | 11% | 4% | 6% | 22% | 27% |
| <i>Employees (In thousands)</i> | | | | | | |
| Regular Full Time | | 14.6 | | 14.6 | | 12.7 |

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

| <i>(In millions, except per share amounts and percentages)</i> | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | July 29, 2012 | April 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Non-GAAP Gross Margin | | | | | |
| 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% |
| Non-GAAP Operating Income | | | | | |
| 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% |
| Non-GAAP Net Income | | | | | |
| 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 |
| Non-GAAP Earnings Per Diluted Share | | | | | |
| 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.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP RESULTS

| <i>(In millions, except percentages)</i> | Three Months Ended | | | Nine Months Ended | |
|--|--------------------|-------------------|------------------|-------------------|------------------|
| | July 29, 2012 | April 29, 2012 | July 31, 2011 | July 29, 2012 | July 31, 2011 |
| Non-GAAP SSG Operating Income | | | | | |
| Reported operating income (GAAP basis) | \$ 427 | \$ 504 | \$ 452 | \$ 1,202 | \$ 1,486 |
| Certain items associated with acquisitions ¹ | 47 | 61 | 3 | 208 | 8 |
| Varian integration costs | 7 | 9 | — | 31 | — |
| Restructuring charges and asset impairments ² | 1 | — | — | 1 | — |
| Non-GAAP operating income | \$ 482 | \$ 574 | \$ 455 | \$ 1,442 | \$ 1,494 |
| Non-GAAP operating margin percent (% of net sales) | 31.2 % | 32.3 % | 32.5% | 30.9 % | 34.4% |
| Non-GAAP AGS Operating Income | | | | | |
| Reported operating income (GAAP basis) | \$ 122 | \$ 109 | \$ 146 | \$ 338 | \$ 322 |
| Certain items associated with acquisitions ¹ | 2 | 2 | 1 | 10 | 5 |
| Restructuring charges and asset impairments ^{2, 3, 4} | 11 | — | — | 11 | 24 |
| Non-GAAP operating income | \$ 135 | \$ 111 | \$ 147 | \$ 359 | \$ 351 |
| Non-GAAP operating margin percent (% of net sales) | 23.3 % | 20.1 % | 24.4% | 21.6 % | 19.7% |
| Non-GAAP Display Operating Income | | | | | |
| Reported operating income (GAAP basis) | \$ 10 | \$ 7 | \$ 58 | \$ 23 | \$ 116 |
| Certain items associated with acquisitions ¹ | 2 | 2 | 2 | 6 | 6 |
| Non-GAAP operating income | \$ 12 | \$ 9 | \$ 60 | \$ 29 | \$ 122 |
| Non-GAAP operating margin percent (% of net sales) | 8.5 % | 6.7 % | 26.9% | 7.6 % | 23.1% |
| Non-GAAP EES Operating Income (Loss) | | | | | |
| Reported operating income (loss) (GAAP basis) | \$ (102) | \$ (63) | \$ 123 | \$ (188) | \$ 436 |
| Certain items associated with acquisitions ¹ | 6 | 6 | 6 | 18 | 18 |
| Restructuring charges and asset impairments ^{2, 3, 4} | 32 | — | 3 | 32 | (33) |
| Non-GAAP operating income (loss) | \$ (64) | \$ (57) | \$ 132 | \$ (138) | \$ 421 |
| Non-GAAP operating margin percent (% of net sales) | (83.1)% | (72.2)% | 23.4% | (38.0)% | 25.1% |

- 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, partially offset by asset impairment charges of \$27 million related to certain intangible assets and fixed assets.

APPLIED MATERIALS, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP EFFECTIVE INCOME TAX RATE

| <i>(In millions, except percentages)</i> | Three Months Ended | |
|--|---------------------------|-------|
| | July 29, 2012 | |
| Provision for income taxes (GAAP basis) <i>(a)</i> | \$ | 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 <i>(b)</i> | \$ | 111 |
| | | |
| Income before income taxes (GAAP basis) <i>(c)</i> | \$ | 302 |
| Certain items associated with acquisitions | | 57 |
| Varian integration and deal costs | | 8 |
| Restructuring charges and asset impairments | | 44 |
| Non-GAAP income before income taxes <i>(d)</i> | \$ | 411 |
| | | |
| Effective income tax rate (GAAP basis) <i>(a/c)</i> | | 27.8% |
| | | |
| Non-GAAP effective income tax rate <i>(b/d)</i> | | 27.0% |