

2010 ANNUAL REPORT

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Dear Fellow Stockholders,

Fiscal 2010 was a year of recovery and progress on key initiatives for Applied Materials. As the global economy strengthened over the course of the year, we saw capital spending in the semiconductor, solar and display industries rebound. We took full advantage of this recovery and recorded one of our strongest performances in the history of the company. Your company's success in fiscal 2010 is a tribute to the hard work and dedication of our employees around the world and to customers' confidence in our products.

Entering fiscal 2010, our goals were clear: capitalize on the recovery in our markets, gain share in our businesses and achieve new levels of operating performance and profitability. We delivered in all three areas.

Our focus enabled us to deliver results substantially up from last year. Net sales were up 90 percent year-over-year to \$9.55 billion. Net income was up from a loss of \$305 million in fiscal year 2009 to a profit of \$938 million and the company generated \$1.7 billion in cash from operations. We repurchased \$350 million in shares, increased our quarterly dividend by 17 percent — paying out nearly \$350 million in dividends to stockholders — and ended the year with \$3.9 billion in cash and investments.

We invested more than \$1.1 billion in research and development during the year to help position the company for future market inflection points, and secured 442 U.S. patents. Our focus remains on extending our leadership in the semiconductor, display and solar equipment markets — we gained market share in each of these segments this year and introduced 15 new products — while also bringing award-winning services to our customers.

MAXIMIZING STRATEGIC OPPORTUNITIES

Silicon Systems Group

In our semiconductor business, we capitalized on a broad market recovery. We introduced 12 products during the fiscal year in this segment and acquired Semitool, Inc., which successfully extended our presence in the

fast-growing wafer level packaging market and repositioned us to benefit from memory customers' move to copper interconnects. Our Silicon Systems Group increased its operating profit by more than 800 percent, following an especially difficult year in fiscal 2009, and we gained market share enabling us to exit the year with strong momentum.

Applied Global Services

Applied Global Services, which primarily serves the semiconductor industry, had a solid year with net sales up 34 percent, in line with customers' increased wafer starts and higher equipment utilization rates as well as robust 200 millimeter equipment spending. Our services business successfully improved its position in the growing Asian semiconductor services market and also increased sales of its display and solar offerings.

Display

End markets for flat panel displays showed strong momentum in 2010, driven by consumer demand in markets like China and rapid adoption of light emitting diode (LED) backplane lighting, which lowers energy use and improves image brightness. Net sales of Applied's display equipment were up 79 percent, and the group delivered one of its best quarters in its history as the year ended. In addition, we secured repeat orders for our physical vapor deposition (PVD) system, PiVot™, which we believe positions us for further market penetration.

Energy and Environmental Solutions

In our Energy and Environmental Solutions Group, we took decisive steps mid-year to restructure our solar business for improved profitability and to focus on the rapidly expanding crystalline silicon segment of the solar industry. Both our metallization and wafering businesses enhanced their market positions, driving strong momentum and enabling the group to surpass previous peaks for revenue and orders in the final quarter of the fiscal year. The results included revenue from a fully integrated thin film production line, sales of which were discontinued other than to existing customers.

LOOKING AHEAD

I am optimistic about Applied Materials' prospects. We sit at the center of macroeconomic trends that are transforming our lives and reshaping the global economy. We are seeing exponential growth in semiconductor chips as products in all areas of the economy become more intelligent, driving their ubiquity in everything from the cars in our driveways to the refrigerators in our kitchens. The increasing personalization of electronics is fueling a need for mobility, accelerating demand for solid state storage and touch screens as these technologies become more integrated into our lives. We are seeing the dramatic expansion of a global consumer class in countries like China, India and Russia, whose thirst for electronic devices, like smartphones and flat-screen TVs, is driving increasing sales

in the industries we serve. Finally, we are seeing the next leg of a global revolution in the way we create and consume energy as technologies like solar photovoltaics and LEDs challenge older rivals. At the heart of each of these trends are Applied Materials' technologies that help our customers turn today's innovations into the industries of tomorrow.

I would like to thank our customers for partnering with Applied to solve some of the industry's biggest challenges, our employees and suppliers for delivering in a challenging year, and you, our stockholders, who help make our vision a reality with your support for Applied Materials.

Thank you for your continued support.

Sincerely,



Michael R. Splinter
Chairman, President and
Chief Executive Officer

December 31, 2010

SAFE HARBOR STATEMENT

This stockholder letter contains forward-looking statements, which are all statements other than those of historical fact, including statements regarding Applied's performance, products, and strategic position, as well as industry trends and outlooks. Forward-looking 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, demand for electronic products and semiconductors, governmental renewable energy policies and incentives, and customers' requirements for new technology and capacity; the variability of operating expenses and results among the company's segments caused by differing conditions in the served markets; Applied's ability to (i) develop, deliver and support a broad range of products, expand its markets and develop new markets, (ii) implement and maintain effective cost reduction programs and align its cost structure with business conditions, (iii) plan and manage its resources and production capability, including its supply chain, (iv) implement initiatives that enhance global operations and efficiencies, (v) obtain and protect intellectual property rights in key technologies, and (vi) attract, motivate and retain key employees; 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, and Applied undertakes no obligation to update any forward-looking statements.

STOCKHOLDERS' INFORMATION

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Mountain View, California

NUMBER OF REGISTERED STOCKHOLDERS

4,407 (as of November 19, 2010)

STOCK LISTING

Applied Materials, Inc. is traded on The NASDAQ
Global Select Market®
NASDAQ Symbol: AMAT

TRANSFER AGENT

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Computershare Trust Company, N.A.
Stockholder Services
PO Box 43078
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