

2008



CITIZENSHIP REPORT



Improving the Way People Live

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Welcome

Welcome to Applied Materials' first edition of its Citizenship Report. Based on our bi-annual Environmental Responsibility Report, it follows the Global Reporting Initiative sustainability reporting framework, and also includes descriptions, data and perspectives on the Company's social and economic contributions.

It is Applied's vision and goal to improve the way people live through the use of Nanomanufacturing Technology™. But we know that technology alone will not make the world a better place. An enduring solution also requires long-term corporate commitment to business *and* global sustainability, incentives for socially responsible innovation, and an overarching concern for the health and well-being of our employees and our communities.

Applied is aware of the inherent business and social impacts of the global climate change, and we are fully committed to achieving sustainability in a clean tech economy — from the products we design, to how we manage our business. Our 2008 Citizenship Report describes our accomplishments during the year and outlines our plans for a brighter, healthier and safer future.



Message from our CEO

I am proud to present our first Citizenship Report, which builds on our previous Environmental Responsibility Reports and covers our corporate and workplace activities, supplier and environmental initiatives, and community involvement. This report is as an important step in our dialogue with stakeholders about the challenges facing our planet and how, as a global corporate citizen, Applied Materials is addressing some of the key issues confronting our communities in order to make a lasting improvement in the way people live.

With a culture of innovation spanning four decades, Applied Materials contributed first to the success of the electronics industry — creating the equipment used to make semiconductor chips — and more recently to the growth of the liquid crystal display industry. Our technologies help make electronics and displays more affordable, and consequently, more accessible for billions of people around the world.

Now, our heightening awareness of climate change and strained energy resources has led us to renew our efforts to create products that use our Nanomanufacturing Technology™ expertise in innovative ways: this time to change the energy equation across the globe by delivering solutions that generate, conserve or store electricity. With products like our SunFab™ Thin Film production lines that make solar photovoltaic (PV) modules, we are focused on reducing the global impact of energy use while also making it more sustainable by using a renewable energy source. As we did with our core semiconductor and display products, we are delivering scalable solutions, helping to make end-products that are increasingly more affordable and accessible.

In addition to our new business focus, we have set aggressive goals for reducing our environmental footprint and this year we took significant steps toward meeting those goals. From the PV systems installed at some of our worldwide sites, to our new manufacturing facility in Switzerland that is warmed by residual heat — we are taking actions, both large and small, to improve our environmental stewardship.

Applied employees are also collaborating in fresh new ways. Employees across the Company are pitching in to make our new business focus a success. This is the Applied Materials that has earned the respect of customers, investors, suppliers, employees and peers — an organization with a relentless drive for success; for its customers, its stockholders and now for the planet. Our mission is a powerful motivator, and because of it, we have attracted renewable energy veterans, thought leaders and new college grads who understand that Applied is making a difference. A place where careers can be developed, ideas launched — even lifetime dreams fulfilled — and where we can make meaningful contributions to our communities.

Today, in the midst of a challenging global economic climate, I am extremely proud of the remarkable community commitment of our employees. Even in these difficult times more employees than ever participated in our giving programs. Across the Company, employees have donated their time, talent and financial contributions to help broaden our social impact. Our focus on education continues,

because we know it is critical to the development of tomorrow's leaders and scientists. We also know activities like arts and civic programs contribute powerfully to community spirit, so we continue to support them. In 2008, we increased our support of environmental projects across our community work. We know involvement in our local communities and beyond are an important part of fulfilling our responsibilities as individuals and collectively as a global corporate citizen.

An elemental piece of Applied's brand promise is to help make a cleaner, brighter future possible. That vision influences the products we develop; how we manage our business; and how we actively participate in the communities where we live. Our corporate citizenship efforts will continue to be an integral part of Applied's commitment to future generations, along with our game-changing technology and products.



Michael R. Splinter
President and Chief Executive Officer
March 2, 2009

Corporate

Over the past 40 years, Applied Materials has grown to be a multi-billion dollar company, and the largest supplier of manufacturing equipment to the semiconductor, flat panel display and solar photovoltaic industries. Today, our Nanomanufacturing Technology™ is used to produce semiconductor chips, flat panel displays, solar photovoltaic (PV) cells, flexible electronics and energy efficient glass — products that ultimately improve the way people live; and we have invested deeply in our employees and the communities where we do business.

Economic Performance

For fiscal 2008, we achieved \$8.13 billion in net sales, including \$960 million in net income. At the close of fiscal 2008, we had 14,824 employees located in 18 countries around the world, with the largest concentration of employees — 3,700 — located at our headquarters in Santa Clara, California.

In fiscal 2008, approximately 81 percent of Applied's net sales were to customers in countries outside the United States. As part of our growth strategy, we consider opportunities and risks everywhere in the world. We connect our product strategy and equipment offerings closely to the issue of climate change by focusing on the whole equation: clean energy production (solar module fabrication solutions), energy efficiency and conservation (low-emissivity glass equipment), and abatement equipment solutions (greenhouse gas reduction) for process gasses used in semiconductor, flat panel display and solar PV manufacturing.

In 2006, we used our large-area display manufacturing expertise and a strategic acquisition to expand into the emerging thin film PV market. In 2007, following another acquisition, we entered the crystalline silicon (c-Si) solar PV market. These markets are driven by the demand for renewable energy sources at costs competitive with fossil fuels. In 2008, market acceptance of our solar solutions resulted in the first customer sign-off of one of our fully integrated SunFab™ Thin Film production lines and contributed to over \$1.3 billion in orders and \$800 million in net sales for our Energy and Environment Solutions business.

Business Performance Recognition

Applied meets specific environmental, social, and governance (ESG) performance standards as established by KLD Research & Analytics, Inc. and has been selected for inclusion on nine KLD indexes for socially responsible investing.

In 2008, Applied was recognized by Geneva-based Covalence for high ethical standards. For each of the 541 multinationals selected, Covalence's ethical quotation system considers 45 criteria such as environmental impact, social sponsorship, waste management, eco-innovation, anticorruption policy, labor standards and human rights policy. Applied was rated 16th in the technology sector.

Investing for the Future

Applied operates in a highly competitive environment, and is dependent on maintaining a competitive advantage in the equipment and services it sells. The Company spends approximately \$1 billion on research and development annually, allocating resources between new products and enhancements to existing products. In 2008, research and development expenses were \$1.1 billion or 14 percent of net sales.

Our Energy and Environmental Solutions group has a mandate to grow the Company in new areas that build on our technology and manufacturing expertise. They are instrumental in guiding the Company's investments in new technologies aimed at creating, conserving and capturing energy.

Business acquisitions are another way we increase our technology expertise. In 2008, we accelerated our solar business ramp-up with the acquisition of Baccini S.p.A., a leading supplier of automated metallization and test systems for manufacturing c-Si PV modules. Implementation of the Baccini systems by customers enables them to fabricate advanced c-Si solar cells through increased solar cell efficiency and yield.

The Company also invests up to \$50 million annually through Applied Ventures, LLC, our venture capital arm, in early stage technology companies around the world.

Since its inception in 2005, Applied Ventures has invested in 29 emerging technology companies. During 2008, we invested \$39 million in companies that focus on emerging eco-friendly technologies such as: solar energy management and monitoring, low power light emitters, fuel cells, battery technology, micro-inverters, thin film PV, concentrator photovoltaic and energy-saving "smart" glass technology.

Ethics and Compliance

Applied is committed to upholding the highest ethical standards in our workplace and business operations. Our values, including close to the customer, mutual trust and respect, and world-class performance are the cornerstone of Applied's success. The importance of ethical conduct is introduced to all employees during new-hire training, and reinforced consistently, including in managerial training and the Company's performance management process. We expect all company directors, officers and other members of our global workforce to act ethically at all times and they must all annually certify their commitment to the policies and requirements contained in Applied's Standards of Business Conduct, which specifically prohibits illegal conduct including corrupt behavior and the use of child labor.

Applied complies with all applicable laws, including provisions set forth in the Foreign Corrupt Practices Act of 1977, which prohibits the use of bribes or other inappropriate attempts to influence foreign government officials, and requires accounting transparency. All employees worldwide are familiar with Applied's anticorruption policies and procedures as outlined in the Standards of Business Conduct.

We strongly encourage employees to report ethical issues and concerns to their managers, the Human Resources Department, the Law Department or the Office of the Ombudsman. Employees may also call the Company's ethics hotline where messages may be left anonymously.

The Audit Committee of the Board of Directors is responsible for oversight of legal and ethical compliance as well as supervision of policies relating to risk management, asset management, information management, and the security of intellectual and physical assets.

Managing Business Risks

Our ability to withstand events that challenge our prosperity, limit our ability to conduct business or slow our growth is a critical driver of Applied's strategic plan. Major categories of risks include: business segment volatility; weakening global economy; ongoing and rapid changes in the semiconductor, flat panel display and solar industries; entry into new markets; operation of a global business, including intellectual property rights and global supply chain management; ability to successfully manage acquisitions and strategic investments; manufacturing interruptions or delays and failure to accurately estimate customer demand; financial, information technology, and business disruptions; regulatory impact; and natural disasters and global climate change.

Applied's risk management framework allows risk specialists to identify potential areas of concern and provides a process for evaluation, mitigation and reporting.

Applied's global Business Continuity Plan (BCP) aims to reduce operational risks and keep the business running through interruptions. In an emergency, the primary emphases are on employee safety, communications and pivotal information technology recovery to enable the business to return to regular operations as rapidly as possible.

Since its formation in 1997, the BCP program has grown to include more than 60 worldwide locations with dedicated staff, designated BCP coordinators and full time Emergency Response Team members.

Every year, many employees participate in crisis management drills designed to reduce operational risk by preparing participants with real-life scenarios that provide blueprints of what is needed to conduct or recover business after a disruption. In 2008, 52 exercises were conducted, involving over 1,800 employees, including an Executive Crisis Management Exercise involving direct reports of the CEO.

Protecting Intellectual Property

Continuous innovation is essential to Applied's success. The goal of Applied's Intellectual Property (IP) group, part of the Global Law Department, is to protect these innovations that represent the creative thinking and valuable results of Applied's talented and dedicated employees and Applied's investment in innovation by obtaining patents, copyrights and trademarks on a global basis and to maximize the value of the Company's intellectual property.

The Company has policies and procedures to assure that its innovations are protected including IP checkpoints in its product development methodology known as the Product Life Cycle process. All employees are required to take IP training to learn about proper handling of confidential materials, including those of the Company, customers, suppliers, and others with whom we do business. The Company has a patent award program that is designed to incentivize and reward employees' innovation.

As an active participant in the Coalition for Patent Fairness, comprised of a broad range of companies and trade associations, Applied plays a role in supporting initiatives by Congress to modernize and enhance the U.S. patent system and to improve patent quality.

Governance

Good corporate governance ensures an effective system for managing responsibilities and authority among stockholders, Board of Directors, management and employees. The Company's Corporate Governance Guidelines along with the Company's Certificate of Incorporation, bylaws, and the charters of the board committees and Standards of Business Conduct provide the framework for good corporate governance.

Public Policy

Decisions, regulations and laws passed by government bodies can have profound effects on our employees, the communities where we do business, and how we conduct business. Policy changes in employment practices, energy and environment programs, financial transparency, research and corporate taxes, transportation, global commerce, import and export controls, immigration and other areas that affect our business. To achieve the greatest success at all levels of our business, we work closely with local, state, federal and other countries' policymakers.

Applied's President and CEO, Mike Splinter, is one of nine top high-tech CEOs who participate on the Technology CEO Council, an organization dedicated to advancing policies that ensure and promote U.S. competitiveness through technology leadership. Applied's Chairman Jim Morgan served during the Bush Administration as vice-chair of the President's Export Council, the senior private-sector advisory panel to the president for trade and export issues.

Among the worldwide policy issues currently addressed by Applied are:

- **Trade:** with approximately 81 percent of our sales outside the U.S., international trade is Applied's lifeblood. We are strong proponents of a rules-based international system that promotes open markets, trade and investment flows. We work to ensure any restrictions on global commerce, such as export controls, be based on sound rules with clear guidelines and applied evenly;

- **Taxes:** national tax regimes are a key determinant of an economy's attractiveness as a place to do business and destination for investment. We are working to make the U.S. tax system more competitive through targeted improvements, such as dependable R&D and enhanced renewable energy tax credits, as well as comprehensive tax reforms;
- **Technology:** we are working to foster a greater understanding of high-technology industry issues, to provide adequate federal funding of basic research, and to maintain a well-run patent system and enforcement of provisions for adequate intellectual property protection in the U.S. and other countries;
- **Talent:** Applied's greatest asset is our people. To ensure the continued availability of talent, we promote funding for science, technology, engineering and math education programs, and graduate education through the National Science Foundation, and facilitate high-skills immigration and talent mobility.

Public Policy Engagements

Applied closely monitors legislative activities related to our businesses. We have government affairs offices in Washington D.C. and California and also have close legislative contacts in Texas and other states from which Applied educates and informs policy makers about emerging technologies and issues facing the industries we serve. Applied representatives serve on a variety of advisory committees and other forums (both formal and informal), participate in public policy development, and work closely with policymakers to influence decisions that impact the environment in which we operate.

During fiscal 2008, Applied Materials executives served on advisory bodies to provide counsel to U.S. Government policymakers in several areas. These included:

- Deemed Export Advisory Committee
- Industry Trade Advisory Committee
- Information Systems Technical Advisory Committee
- President's Export Council
- President's Export Council Subcommittee on Export Administration
- Technology Innovation Program Advisory Board

Memberships in Associations

As an influential business thought leader and technology innovator, Applied is a member of numerous industry, business, and trade associations around the world. These include sector-specific groups (focusing on semiconductor, nanotechnology, thin films, and solar equipment manufacturing), geographic-based groups (business councils in major markets), and broad-based, general business associations.

In fiscal 2008, Applied Materials executives and employees served in leadership roles in a number of trade associations with a goal of driving favorable public policy outcomes. These included:

- Alliance for Science, Technology and Research in America
- European Photovoltaic Industry Association (EPIA)
- Governors' Council of the World Economic Forum
- Information Technology Industry Council
- National Association of Manufacturers
- National Center for Asia-Pacific Economic Cooperation
- San Jose/Silicon Valley Chamber of Commerce
- Semiconductor Equipment and Materials International (SEMI)
- Semiconductor Research Corporation
- SEMI North American Advisory Board
- Silicon Valley Leadership Group
- Solar Alliance
- Solar Energy Industries Association
- TechNet
- Technology CEO Council
- US-China Clean Energy Forum
- US Display Consortium

Political Participation

Participation in political processes by Applied Materials and its employees is conducted in strict compliance with all applicable laws, regulations and reporting regimes. Compliance is monitored by both internal legal review and external counsel. Additionally, any and all participation of Applied Materials employees or representatives is in strict accordance with the Applied Materials Standards of Business Conduct.

Political Contributions

The Applied Materials Foundation does not donate money or make in-kind contributions to federal government elections, political parties, individual candidates, or related institutions and it complies with all applicable laws and regulations. Federal political activities are conducted through the Applied Materials Political Action Committee (AMPAC). A record of the AMPAC political contributions and activities is publicly available via Federal Election Commission (FEC) and other external sources. The Company encourages employees to be knowledgeable and engaged citizens and to exercise their rights as citizens.

Plans

In 2009, Applied Materials plans to expand its government affairs capabilities in Beijing, Brussels and New Delhi, primarily targeted at renewable energy activities.

Supply Chain

As the leading equipment supplier to the global semiconductor, LCD flat panel display markets and solar photovoltaic (PV) industries, Applied has an extensive supply chain. To produce our semiconductor, flat panel, and solar products, we purchase subsystems, parts, materials and services from more than 800 suppliers worldwide, with 75 prime strategic suppliers representing 80 percent of our annual procurement spend. Applied is committed to delivering the highest quality products and services to customers, and we are able to meet the rigors of the industries we serve through active interchange of ideas and principles with our suppliers.

Applied's Global Supply Chain Organization (GSCO) manages suppliers of our global semiconductor equipment business and takes a lead position in establishing programs and processes for the management of suppliers to our flat panel and solar business segments. Applied's supply chain organizations develop supply chain capability, apply industry guidelines, and monitor international commerce regulations and suppliers' compliance with business and labor practices. Throughout the year, suppliers are audited for product quality, technology innovation, cost, and management commitment to reducing energy usage and carbon footprint.

Management Guidelines

By adhering to best practices, Applied and its suppliers are able to improve working conditions, process performance and product quality. The Applied GSCO wholly supports and observes the following industry guidelines and comprehensive internal processes, with the goal of assuring that working conditions in the supply chain are safe, workers are treated with respect and dignity, manufacturing processes are environmentally responsible, and all business is conducted ethically.

- Applied Global Materials Resources Manual (GMRM)
- Electronics Industry Code of Conduct (EICC)
- EU Eco-Management and Audit Scheme (EMAS)
- Green Procurement Guidelines
- ISO14001 Environment Management System

Applied is one of 42 major corporations — and the only semiconductor equipment manufacturing company — that are members of the Electronics Industry Citizenship Coalition. Four of our major suppliers are also members of the coalition. All members subscribe to the Electronics Industry Code of Conduct, which sets guidelines for sustainable labor, health and safety, environmental, management systems and ethics practices for electronics companies and their suppliers.

We apply the standards of the EICC as adapted by Applied to manufacturing operations and require suppliers to also comply with this code. Applied is also an active participant in the newly formed EICC Sustainability Task Force, which is piloting data-gathering tools that can drive standardization for carbon emissions measuring and reporting for the electronics industry.

Assessing Performance

The GSCO continuously monitors and evaluates our suppliers for compliance to the EICC and Applied guidelines using three primary internal tools:

- Strategic suppliers must sign and comply with our Global Supply Agreement;
- For initial audits, the GSCO uses the Integrated Supplier Assessment Tool (ISAT); and
- Third-party auditors are used to perform Standardized Supplier Quality Assessment (SSQA) audits.

During 2008, the GSCO conducted 150 audits at 75 supplier sites. In addition, we also required our supply chain companies to conduct self-assessments that focus on environment, occupational safety, and product safety performance. If a supplier shows marginal performance, program improvement and mitigation plans are requested. To facilitate improvements Applied conducts a monthly quality review, a quarterly business review, and mitigation plan review. Low evaluation scores or failure to comply with recommendations results in the issuance of a Corrective Action Request to the supplier. Applied also maintains an internally-rated Supplier Scorecard, which tracks five areas of supplier relationship data. Poor ratings trigger a supplier performance review.

Building Strong Relationships

Strong relationships and tight alignment with our suppliers help improve our business and product performance. In addition to audits and scorecards, manufacturing efficiencies are enhanced through co-location, global supplier forums and Applied's supplier recognition program.

Co-location: Hundreds of suppliers provide goods to Applied's primary manufacturing plants in Austin, Texas; Santa Clara, California; Alzenau, Germany; and Rehovot, Israel. Many suppliers are located near our current manufacturing facilities and, as we expand manufacturing into Singapore, China, and Taiwan, we strategically choose site locations in close proximity to local customers. Our use of local suppliers enables us to develop strong relationships, improve processes through collaboration, reduce transit-time and environmental impacts, and promote innovation — all key elements of good global citizenship.

Global Supplier Executive Forum: Applied's goal is to build an outstanding integrated supply chain. Each year, the GSCO hosts a five-day executive forum for our premier suppliers to strengthen relationships and align business goals. The forum includes group presentations and discussions, as well as individual quality and business reviews.

Supplier Recognition Program: The Applied Supplier Recognition program is designed to encourage and reward suppliers for top achievement in the areas of quality, cost, delivery, green initiatives, innovation, management, Applied scorecard rating, and roadmap alignment — all areas that help Applied be more efficient, sustainable and give us a competitive advantage. In 2008, two suppliers

showed significant improvement in performance scores and were recognized for their performance at our annual Supplier Forum Awards Dinner.

Plans

The goal of Applied's GSCO is to build an outstanding integrated supply chain. To achieve this goal, Applied will continue to implement programs to reduce manufacturing costs and lead times, and improve product quality while upholding the highest ethical and safety standards for employees, suppliers and the environment. Applied is actively working with suppliers to align their manufacturing processes with our Green Procurement Guidelines.

Workplace

Applied Materials' business success and ability to improve the way people live depends on attracting, developing and retaining a world class global workforce: one that reflects our core business values and respects the local culture of the regions where we do business. Applied creates value for and enriches the communities where we do business by creating jobs, hiring local talent, offering employee training and leadership development programs, and providing health benefits to our workers and their families. All employees are required to know and comply with policies contained in Applied's Standards of Business Conduct, which cover workplace concerns such as Applied Core Values, International Business Conduct and Workplace Safety.

Employment

In 2008, Applied had a highly skilled and committed global workforce of 14,824 people at more than 100 locations in 18 countries. In 2008, we had an annual attrition rate of seven percent and average employee tenure of eight years. In addition to hiring industry veterans, Applied regularly recruits new employees and student interns from local communities and universities.

Applied offers a wide range of comprehensive benefit programs to employees. In most locations, employees may choose from a variety of financial, family health care, learning and development, and wellness programs.

Each year, every employee receives a performance and career development review by their management and by selected peers. To balance this evaluation, employees are strongly encouraged to take the annual Employee Opinion Survey. The results of this anonymous survey provide insight as to how well the Company is doing as an employer and serve to guide management in making changes and improvements to all facets of our business: workplace environments, training opportunities, business practices, enrichment programs, compensation, and personal wellness. In 2008, approximately 10,000 employees completed the survey.

Health and Safety

The safety of our employees, temporary workers, contractors and visitors is our primary concern. To enhance safety in the workplace, all members of our workforce are required to participate in education, training and risk-control programs. Safety programs are an integral part of employee training and all members of our workforce are expected to know, respect, and follow proper safety precautions and procedures at all times.

Applied Wellness, the Company's wellness program, was established in 1988 to encourage employees to reach their potential and to maintain the productivity necessary to meet the challenges of work and life. By providing a variety of programs and resources, our goal is to enable employees to take charge of their health and to develop their own personal wellness program. All Applied Materials employees worldwide are eligible to participate in Applied Wellness Programs. Programs are voluntary, and many

are either free or offered at a nominal cost. For example in 2008, Applied employees in Israel participated in “Bike to Work” day and Applied Wellness launched a global “Get Your Move On” walk-for-fitness-program where employees log their walk mileage and become eligible for achievement prizes.

Our global Office Ergonomics Program has improved the work stations and work sites for employees. In 2008, 963 employees had their workstation position evaluated by an Applied ergonomics professional or they completed an ergonomics self-assessment. In the past 5 years, the number of ergonomic injuries has dropped by 25 percent, the number of lost days has been reduced by 50 percent, and associated costs have been reduced by more than 50 percent.

The Company’s telecommute program, Applied Anywhere, enables more than 3,000 employees whose jobs require, or allow, them to work remotely and to spend less time — and fuel — commuting. This gives employees the convenience of remote access to the Company network as well as flexibility to work around personal commitments.

Training and Education

Applied Materials employees continually improve the organization through ongoing training and personal development programs. Our human capital investments and employee enrichment programs serve to attract and retain quality people, provide tools for employee career growth, develop future leaders, and improve overall motivation, as well as assist retiring employees manage their career endings.

Our worldwide training organization, Applied Global University (AGU), offers outstanding educational opportunities to employees, contractors, temporary workers, customers, and interns. AGU provides courses involving analysis of business challenges, assessment of capability gaps and timely delivery of specific learning solutions to maximize the effectiveness of each organization and its employees.

AGU provides competency and technically based skill-building training in engineering, employee and management development, safety, product and pandemic preparedness. Courses are available online and via classrooms. AGU offers over 1,700 online courses and over 3,200 classroom-based programs. For non-English speaking employees around the globe, AGU offers the Global English program, an online language program to help employees learn English quickly and become more productive in the global workforce. In 2008, employees, contractors, temporary workers, suppliers, and interns completed 755,000 hours of AGU training plus 7,200 hours of pandemic preparedness online training; averaging approximately 30 hours of training per person.

While some courses are voluntary for personal or career development, other compliance-based courses are mandatory for all employees (e.g., health and safety, ethics, IP protection, and harassment prevention training). Course material is reviewed annually to ensure accuracy, business relevance, and

legal and trade compliance. Courses are regularly created, updated and eliminated in response to new laws, business practices, and employee suggestions.

In addition, Applied supports employees continuing their formal education by providing a tuition assistance program, as well as offering select programs through a variety of university and professional organizations.

Diversity

At Applied, we strive to promote a work environment where differences are valued and respected, capabilities are leveraged and our employees are fully engaged. Our ability to understand different perspectives, take advantage of varied approaches and work together in cross-cultural teams is intrinsic to the Company and helps cultivate an atmosphere which engages, informs and builds mutual trust and respect among our employees.

Two of the core values shape Applied's corporate culture and enable us to use our diversity as a competitive advantage:

- Respect for the individual — Mutual trust and respect drive engagement; and
- Global Awareness — Embracing different perspectives leads to a wealth of opportunities.

As part of the Company's Innovation through Diversity program, Applied recognizes the value of affinity groups: voluntary, employee-driven groups organized around a particular shared interest or dimension of diversity. Each group works to create an open forum for idea exchanges and to strengthen the linkage to and within diverse communities in support of Applied's business objectives. Additionally, Applied has policies and practices that support diversity and inclusion (e.g., harassment-free workplace, open door policy, and domestic partner benefits) and training programs (e.g., courses on global business effectiveness, cultural awareness and respect for the individual) which contribute to a winning workplace.

Company Values

Although actual benefits and applicable laws may vary by region, Applied Materials attempts to provide employees the same opportunities and rights at the Company. Each year, every employee is required to (re)read, understand and certify his or her commitment to Applied's Standards of Business Conduct; an actively enforced policy for business ethics, company values and employment. In addition, we hold our global supply chain to an equally high standard.

We do not endorse nor practice child labor, forced or compulsory labor, or excessive hours. All employees are fairly compensated for their time.

Environment

Applied Materials is committed to growing profitably and sustaining our business in an environmentally and socially responsible manner. Our vision is to use our resources and technology leadership to enable the creation of products that improve the way people live. Over the past year we have made substantial progress in pursuing that vision.

Management Systems

The Applied Environmental, Health and Safety group is responsible for all aspects of business concerning the environment: materials reuse, energy and water preservation, emissions and waste reduction, operational sustainability initiatives, and employee participation programs for environmental stewardship.

It is Applied policy to conduct our business operations in a manner that preserves the environment and protects the health and safety of workers, customers, suppliers, visitors, and neighboring communities. We are committed to complying with or exceeding all relevant regulatory requirements, to preventing pollution and to continuously improving the environmental, health and safety performance of our operations, processes and products. To further reduce the environmental impact of doing business, we strongly encourage suppliers to share our vision for environmental health and safety and to monitor and improve their operational performance.

We employ a company-wide environmental management system that is verified and audited by internal and external auditors at our manufacturing sites in Europe, China, Israel, Taiwan and the United States.

Greenhouse Gas Emissions Reductions

Improving operations efficiencies is just one way we reduce greenhouse gas (GHG) emissions and mitigate environmental impacts. We also support a GHG reduction strategy by using energy efficiency audits, purchasing or generating green energy, maintaining a paperless accounting and reporting system, joining corporate and government advocacy groups, and applying clean energy standards to our supply chain.

Accounting: Applied utilizes the Greenhouse Gas Protocol, the most widely used international accounting tool for business leaders to understand, quantify and manage GHG.

In October 2007, we joined the United States Environmental Protection Agency Climate Leaders reiterating our goal to reduce GHG emissions by 20 percent by 2012 (from a 2006 baseline), and we continue to report our carbon emissions under the Carbon Disclosure Project. We are one of 37 companies who have responded to all 6 annual disclosure requests in addition to other reporting systems.

Advocacy: President and CEO Mike Splinter served on the Climate Change Steering Board of the World Economic Forum and in July 2008, he was a signatory to the CEO Climate Policy Recommendations to the G8 Leaders.

Applied is also an active participant in Sustainable Silicon Valley (SSV), a unique partnership of businesses, governments and nonprofits that has established a regional environmental management system. In 2008, SSV partners (97) collectively reduced CO₂ emissions in the region by over 205,000 metric tons according to the 2008 SSV Annual Report. Applied executives serve on the SSV Advisory Board as well as other groups that focus on global climate change, such as the Next Ten's Green Innovation Index.

Product Efficiency: Our Product Energy Efficiency and Design for Environment programs provide guidelines for creating products that are eco-efficient in many ways. During the 2008 annual Engineering and Technology Conference, an internal gathering of Applied Materials' top design engineers, the first-ever Environmental Innovation Awards were presented to outstanding projects. One project, a gas bypass for the Applied Producer® Dielectric CVD system, increases throughput while reducing electricity consumption by five percent with every wafer processed.

The Applied Energy and Environmental Solutions group is focused on developing technology and products that help reduce the need for fossil fuels and lower greenhouse gas emissions. Our eco-efficient products — including our crystalline silicon, thin film, and flexible photovoltaic (PV) solar solutions — serve to promote energy sustainability and reduce pollution.

Green Supply Chain: We participate in the Electronics Industry Citizenship Coalition (EICC) work groups on tracking and reducing carbon in our supply chain. Our new Green Supply Chain initiative includes gathering operational and component efficiency information from suppliers and placing greater focus on driving energy improvements through the supply chain. Applied is also an active participant in the newly formed EICC Sustainability Task Force, which is piloting data-gathering tools that can drive standardization for carbon emissions measuring and reporting for the electronics industry.

Environmental criteria have been added to product group scorecards and are used to qualify and assess suppliers. In 2008, suppliers were recognized for outstanding environmental performance at the Company's Supplier Forum. As a result of this environmental focus, a supplier now offers a cryopump (used for temperature control in semiconductor film deposition processes) that uses 47 percent less energy than some competing models.

Energy Efficiency

As a large corporation with approximately 14,824 employees located at more than 100 sites around the world, there is virtually no end to the number of ways we can improve our energy efficiency, including by producing our own.

In 2008, we completed the installation of a 2 megawatt (MW) solar PV tracker and rooftop system at our Maydan Technology Center in Sunnyvale, California. At the time of completion, this tracker was one of the largest operating solar arrays at a corporate campus and the largest in Northern California.

In addition, we:

- Installed a 24 kW solar PV installation in Austin, Texas — the largest system in the area;
- Installed a 56 kW Solar PV in Xi'an, China — the only one in the province;
- Purchased 26,000 MWh of Green Power (solar and wind) in Austin, Texas and Santa Clara, California, eliminating 18,879 metric tons of CO₂, which is equivalent to taking 3,476 cars off the road; and
- Built a green facility in Cheseaux, Switzerland, where solar modules on the building façade and roof generate approximately 9,790 kWh of clean energy per year.

To further drive energy efficiency at our facilities, we are implementing a 'continuous commissioning' program in Sunnyvale, California, that will utilize advanced building controls to optimize heating, ventilation and other building systems that consume energy. The estimated savings are expected to be as much as 20 percent of the energy consumed at the campus.

Employee Engagement

One of our guiding principles is to actively engage employees to advance our sustainability goals and they have embraced the challenge. For example:

- President and CEO Mike Splinter's intranet blog regularly attracts more comments on environmental issues than other subjects.
- We launched an Intranet EarthWorks website to inform employees about sustainability efforts and to encourage dialogue and participation in local environmental sustainability activities. More than 100 sustainability-related suggestions and questions have been submitted since going live in the spring of 2008.
- We launched regional employee-led Green Teams to identify and drive environmental education and projects at a 'grassroots' level. We now have Green Teams in Austin, Texas; Rehovot, Israel; and Santa Clara, California. The kick-off meeting of the Santa Clara Green Team drew nearly 100 participants.
- During April (Earth Month), eco-conscious employees in Santa Clara volunteered for Community Clean Ups at Guadalupe River Park and Gardens and Ulistac Nature Preserve. Other projects around the world included employee-sponsored environmental education in Israel, tree plantings in India and Taiwan, and bicycle tune-ups in Austin, Texas to promote Bike-to-Work.

- We established quarterly Green Bag luncheons at our headquarters campus with guest speakers who discuss environmental sustainability topics to further engage employees. Two notable organizations that have presented are the San Francisco Bay Area Salt Ponds Restoration and Sustainable Silicon Valley groups.
- We committed to “greening” major company events to further our efforts to reduce, reuse, and recycle as well as to set an example for others.
 - At the SEMICON West trade show, one of the largest annual trade shows for the Company, an offset was calculated and purchased through carbonfund.org and recyclable materials and exhibits were used.
 - At a recent company picnic, the entertainment was powered by a portable solar and wind generation station and the utensils and plates were compostable. And, local non-profit environmental groups set up booths to educate employees about local volunteer opportunities.

At many levels, we continue to build and promote a culture of environmental awareness and stewardship that has proven to be a great source pride for our employees and their families.

Changing How We Work

We continue to transform the workplace and how we work in order to reduce environmental impacts. In 2008 we:

- Transitioned to hybrid shuttles for transporting employees between campuses at our headquarters facilities;
- Began switching to compostable flatware in our cafes and expanded our cafeteria waste composting programs;
- Moved to paperless billing and payroll;
- Increased enrollment in the Applied Anywhere telecommuting program by nearly 50 percent to include more than 3,000 employees; and
- Installed tele-video conferencing units in Santa Clara, California and Austin, Texas to speed communications and reduce business travel.

We also launched a Green Building Initiative in Santa Clara, California. All new construction and renovations are based on the Leadership in Energy and Environmental Design (LEED) Green Building Rating framework. On the other side of the globe, our new office building in Singapore achieved the Building and Construction Authority (BCA) “Green Mark Platinum” certification, the highest environmental rating for a structure, based on energy efficiency, water efficiency, indoor environmental quality, and innovation.

Applied is frequently recognized for our achievements in environmental sustainability.

- The Roberts Environmental Center of Claremont McKenna College rated Applied among the “Highest Environmental Reporting Scores” using the Pacific Sustainability Index.
- The U.S. Environmental Protection Agency’s National Environmental Performance Track recognized Applied for its sustainability annual report and plan for 2008, including new three-year goals (energy, solid diversion, hazardous waste reduction, and air quality improvement).

Water Conservation

Applied’s water conservation goal is to reduce consumption in its worldwide facilities by at least 10 percent by the year 2012 through three key areas: manufacturing, landscaping and personal consumption. Since that goal was set, we have instituted projects that have saved over 51 million gallons of water (the equivalent of 2,500 average size swimming pools). These projects include:

- Use of recycled water to feed cooling towers and scrubbers, reclaiming deionized water and changing irrigation practices;
- Transition from conventional landscaping to native landscaping with their advantage of heat and drought tolerance requiring less recycled water;
- Optimization of other water saving features integral to ongoing operations; including sensor activated faucets and low-flow toilets in the lavatories; and
- We are in the process of identifying additional projects and locations where water saving activities, such as rainwater harvesting, can be implemented.

Plans

Applied’s operational strategy and goals are focused on reducing greenhouse gas (GHG) emissions and increasing our use of renewable energy sources:

- Reduce operational GHG by 20 percent (approximately 50,000 metric ton carbon equivalent) by 2012 (from 2006 baseline);
- Reduce product related GHG emissions by 20 percent by 2012 (from 2006 baseline);
- Obtain 15 percent of power from renewable energy by 2012 (from 2006 baseline).

In addition to these long term global corporate goals, the Environmental, Health and Safety group overlaid these additional business objectives:

- Refine and extend our performance-based environmental management systems into newer parts of the Company, identify opportunities to register the Environment Management Systems, as appropriate.

- Develop a longer-term strategy for additional use of carbon offsets as part of our 20 percent carbon reduction goal, taking into account the likelihood of new climate change legislation and resulting market fluctuations.
- Extend our EHS knowledge and leadership into the solar industry.

COMMUNITY

Since our first fundraising campaign 25 years ago when employees donated \$68,000 to United Way, Applied Materials has continued to grow its commitment to improve the way people live in the community.

Through philanthropy, university support, in-kind donations, and active employee engagement, Applied's total community commitment helps to make a brighter future.

Investments in our Communities

Applied Materials has long demonstrated a commitment to community giving, which was reinforced by the establishment of the Applied Materials Foundation in 1993. The Foundation provides a way to ensure a steady flow of community investments despite varying business cycles. Today, Applied and the Applied Materials Foundation follow a decentralized model that empowers regional offices in the grant-making process. Our investments provide funding to hundreds of agencies serving regional education, civic, environmental, and arts and culture programs. We are proud of our accomplishments in helping to improve the way people live with both our technology and investments in the global community.

We focus most of our philanthropic contributions on communities where our employees work and live, although we also recognize our role and responsibility as a global company. As part of our global leadership, Applied is the presenting sponsor of The Tech Awards. Each year, awards are presented to 25 outstanding innovators from around the world who apply technology to benefit humanity.

In 2008, Applied and the Applied Materials Foundation made philanthropic donations totaling \$12 million, including \$1.3 million in employee matching contributions, with more than 50 percent of the contributions allocated to educational programs. We also increased our efforts and investments in environmental programs and projects that raise awareness about environmental sustainability. One example of this is our innovative Bright Future card game for children to use to learn about environmental sustainability in their classrooms and after-school programs. In 2008, nearly 5,000 decks of Bright Future were distributed to educators — providing a creative tool for fostering an environmental awareness that will enable today's children to become good stewards of the Earth's resources.

Education

Applied's educational efforts focus on system reform, teacher development and student reading proficiency at grade level.

- Our award-winning Education Initiative plays an active role in increasing pre-kindergarten through 12th grade student achievement in low-income areas in San Jose, California, and Austin, Texas. Applied partners with and supports nearly 50 educational organizations, including several that provide professional development programs to teachers. One such

partnership is with Breakthrough Collaborative in Austin and the Silicon Valley, an organization that aims to keep high-potential, low-income youth on the college path by offering additional educational opportunities. Nationally, over 80 percent of Breakthrough alumni are accepted into college preparatory programs.

- In collaboration with India's New Energy Foundation, Applied Materials donated 500 solar lanterns to light schools at night, allowing 15,000 students in rural areas to participate in lessons after a day of work.
- During 2008, Applied Materials funded the participation of 300 children in the Greenet environment education program in the city of Ashdod, Israel. The program consisted of weekly meetings at 10 schools, as well as a one-day intensive conference. Greenet participants were taught how to initiate recycling programs in their schools, adopt local nature reserves and conduct environmental studies in their neighborhoods.

Through strategic relationships, equipment donations, and support of engineering projects that promote innovation, Applied helps universities advance research, support diversity and create opportunities for students to pursue studies in nanotechnology and related scientific disciplines.

- For the past five years Applied has pledged its support of the Women in Engineering Program (WEP) at the University of Texas in Austin. WEP annually reaches approximately 2,500 female pre-college and current engineering students and our contribution supports their recruitment, retention and career development initiatives. Retention rate for WEP students is consistently 10 percent above non-WEP engineering students.
- In June 2008, Applied renewed its financial commitment to the Xi'an Innovation Fund, which encourages and promotes microelectronics and information technology development in China. The program also supports universities and research institutes for basic research, application development and innovation.
- In August 2008, Applied announced a donation of equipment and services to the University of California, Berkeley's Nanofabrication Laboratory in the Center for Information Technology Research in the Interest of Society (CITRIS). CITRIS is a center of excellence for graduate students, faculty and industrial researchers, focused on creating nanotechnology solutions for many of the world's most pressing social, environmental and health care issues.
- Applied donated more than \$50,000 in equipment for use in thin film education at the Department of Electrical and Computer Engineering of Texas A&M University in College Station, Texas. Thin film processing is a major technique used in the semiconductor industry, yet certain processes are difficult to fully understand. Now, A&M engineering students can have hands-on experiences on actual equipment that will better prepare them — and make them more competitive — for their future careers in the semiconductor and related industries.

Civic Development

Applied's investments in civic programs help local communities meet basic food and housing needs and support youth-based programs that encourage leadership and civic involvement.

- Applied has responded quickly to global relief efforts in the case of natural disasters. Following the 2008 China earthquake and Myanmar cyclone disasters, Applied Materials, the Applied Materials Foundation and employees donated more than \$618,000 to relief and recovery operations. In September, when floods hit rural India and displaced more than a million persons, Applied employees contributed to relief efforts.
- Each Thanksgiving, runners and walkers participate in the annual Applied Materials Silicon Valley Turkey Trot. In 2008, the Turkey Trot raised more than \$200,000 for three local charities — Second Harvest Food Bank of Santa Clara and San Mateo Counties, the Housing Trust, and the Santa Clara Family Health Foundation. And again, Applied Materials was named the “Fittest Firm” for fielding the largest corporate team, led by President and CEO, Mike Splinter.
- In Germany, Applied's gift to the Dresdner Tafel eV supports StreetKids, a home that offers youth a safe place to rest, warm food, use of laundry facilities, and access to computers for job searches.
- An ongoing program Applied sponsors is the City Year Team where young people between the ages of 17 and 24 commit to a year of full-time community service, leadership development and civic engagement. In San Jose, California, the Applied-sponsored team focuses on enhancing elementary school student achievement at underperforming schools and supported the opening of a new charter school.

Environment

Applied is on track to reduce its global carbon footprint 20 percent by 2012, and we are also focusing some of our community efforts on helping mitigate or reduce the effects of global climate change. The first step to making a difference is often through education. We support environmental education projects which increase public awareness and promote sustainability and environmental stewardship. Some of the projects we sponsor include:

- The Company launched the Bright Future card game, a unique educational tool for educators that teaches students environmental sustainability concepts and how to be good stewards of the Earth. In 2008, more than 5,000 decks were distributed to qualified educators, reaching approximately 25,000 children.
- Applied sponsored the “My Green Home” exhibit, a permanent display at the Madatech Israel National Museum of Science in Haifa, which educates the public about environmentally-friendly household solutions. Since opening in March of 2008, the exhibit has been viewed by more than 100,000 visitors.

- In China's Yunnan Province, Applied is supporting a Nature Conservancy project aimed at reducing demand for wood while fostering sustainable economic development. Fuel wood collection alone contributes to the loss of 300,000 acres of forest each year in China. Project coordinators deliver efficient alternative energy devices, including solar water heaters, to homes and schools in rural communities.
- Applied sponsors the Centre of Excellence for Environment Education in Singapore which provides a school platform for teaching and learning about environmental issues concerning energy and water. In 2008, Applied sponsored the Solar City Competition where primary and secondary students designed an environmentally friendly and energy efficient "green" school. Goals of the competition were for children to acquire an interest in and critical awareness of the environment, to foster innovation in the field of energy technologies, and to understand the dynamics of alternative energy usage in our society.

Arts and Culture

Applied invests in art and culture programs that enrich our communities, build bridges between people, and inspire creative thinking. In addition to supporting traditional arts like ballet, opera and theatre, we also invest in avant-garde programs which encourage diverse, innovative arts from people of all cultures. Some of the programs we invest in include:

- Through the Excellence in the Arts program, Applied partners with the Arts Council Silicon Valley to fund small- to mid-sized organizations interested in extraordinary artistic, programmatic and leadership achievement. In 2008, the 37 grantees included Chinese performing artists, an East Indian dance company, a youth symphony, and the American Beethoven Society.
- Applied provides a rich visual and musical experience for community members through sponsorship of a Jazz Concert in Tainan, Taiwan and a series of Art History and Opera Seminars in Hsinchu, Taiwan. Each of these investments enlivens the community while providing education and entertainment to employees and the public.
- "SunFlowers — A Garden of Energy," a collection of sunflower-shaped sculptures containing solar collectors, lines the entrance to Mueller's Northwest Greenway in Austin, Texas, as the result of support from Applied. The SunFlowers, which collect solar energy while providing shade to walkers and cyclists using the trail, is the largest public art project in Austin history.

Tech Awards

Applied is the presenting sponsor of the annual Tech Awards which honors outstanding innovators who use technology to benefit humanity and address some of the critical problems facing the world. Each year, awards are presented in five categories: Economic Development, Education, Environment, Equality, and Health. Five Laureates in each category are honored at a gala held in San Jose, California, which showcases their compelling stories and rewards their significant accomplishments. In addition, one Laureate per category receives \$50,000 to further his or her work.

As part of the Tech Awards, Applied sponsors the James C. Morgan Global Humanitarian Award which honors individuals whose vision and leadership help address humanity's greatest challenges. In 2008, Dr. Muhammad Yunus, the pioneer of micro-credit and known as the banker to the poor, accepted this distinguished honor and was celebrated for his vision of a world without poverty.

Employee Involvement and Giving

Applied Materials employees around the globe actively engage in donating time, contributing funds and providing leadership to causes of personal importance to them. Through organized volunteer efforts and generous matching gift programs, the Company and the Applied Materials Foundation support numerous organizations and issues around the world.

Employee Giving and Matching

Employees are able to direct a percentage of the Applied Materials Foundation's philanthropy to the charities of their choice through matching gift programs.

- In the United States, the Applied Materials Foundation increased the match of U.S.-based employee donations to eligible nonprofit agencies and kindergarten-12 schools to \$2,000 per year per employee in 2008. During the last year, employee gifts combined with the Foundation match generated nearly \$3M for community organizations and schools.
- The Annual North America Food Drive is a winter tradition at Applied that relies on friendly competition between business units to help alleviate hunger in their communities. In 2008, employee contributions plus a dollar-for-dollar match from the Applied Materials Foundation resulted in donations of more than \$1 million for food banks across North America. With the Foundation match, we provided funds that helped purchase more than 2 million meals to needy families during a time when food banks faced severe food shortages.

Employee Engagement through Volunteerism

Our active employee volunteers generously give their time and talent to numerous community programs that assist others. These volunteers help Applied achieve our overarching goal to help improve the way people live. Here are some examples of our employees' community engagements:

- In 2008, the Company launched EarthWorks, a program that encourages employee volunteers to contribute locally to global environmental solutions. Employees dedicated time to 35 environmental clean-up projects, from Japan to Texas, and also learned how their actions can contribute to measurable environmental benefits.
- Blood drives and bone marrow testing are an ongoing community effort in the United States for a decade. This year, employees in India participated in a blood drive and in China their first corporate blood drive was conducted. Since the first blood drive, Applied employees have donated more than 5,000 units of blood.

- Employees in Japan have formed a team to participate in bi-monthly clean up efforts in the neighborhood near Applied facilities. The event beautifies the community and provides a teambuilding activity for employees.
- A Volunteer Time Grant program in the United States recognizes and rewards employee volunteers who give 20 hours to one charity with a grant of \$250 to the organization. In 2008, the Volunteer Grant Program generated \$53,000 for employee charities. These employees are also acknowledged for their commitment to the community through various events and personal recognition from executives.

Volunteer Recognition

Applied is proud of our employees who demonstrate their commitment to the community by volunteering time and donating funds to improve the way people live. We are pleased to showcase their accomplishments through company communications channels such as the Inside Applied employee news portal, our Corporate Social Responsibility e-newsletters, and executive e-mails to employees.

Plans

- Increase environmental focus: Expand environmental portion of grants to 15 percent of total giving (other grant priorities are education, civic, and arts and culture), resulting in a slight decrease in educational grants.
- Focus on K-12 education: Move university sponsorships and in-kind giving programs to product R&D.
- Take grant-making global: Expand successful U.S.-based grant-making model to a global level where locally-based community affairs engage with non-governmental organizations to make recommendations, assist in grant application process, and monitor grantee programs.
- Increase employee community involvement: Expand Volunteer Time Grant program by more broadly communicating employee volunteer opportunities and spotlighting “local heroes.” Increase employee participation in their communities through support of local charities and fundraisers, including blood and bone marrow drives.

2008 Awards

- 100 Best Corporate Citizens *CRO Magazine*
- America's Most Admired Companies *Fortune*
- Best Workplaces for Commuters *bwc.org*
- Corporate Diversity First Award *Texas Diversity Council*
- Corporate Social Responsibility Contributions *Guanming Daily*
- Energy Innovator Award: Green Power Champion *Silicon Valley Power*
- Fortune Most Admired *Fortune Magazine*
- Going Green Award *Austin Business Journal*
- Green Energy Innovation of the Year *Platts Global Energy Award*
- "Green It" Data Center of the Year award finalist *Computer World*
- Human Rights Campaign Corporate Equality Index *CRO Magazine*
- Information Week 500 for IT Excellence *InformationWeek*
- Keep Austin Beautiful Award *Austin Business Journal*
- Most Philanthropic in Bay Area *San Francisco Business Times*
- Plenty 20 Businesses *Plenty Magazine*
- Silver HEALTH (Helping Employees Achieve Lifetime Health) Award *Prime Minister of Singapore*
- Technology Fast 50 – Billion Dollar Club *Silicon Valley Deloitte*
- Technology Innovation Award for Energy *Wall Street Journal*
- Top 50 Most Military-Friendly Employers *G.I. Jobs*

Key Performance Indicators

2008 Corporate Facts

| | | | |
|---|-------------------------------|-------------|-------------|
| Employees | 14,824 worldwide | | |
| Locations | 108 locations in 18 countries | | |
| Revenues | \$8.13 B | | |
| Research, Development, Engineering | \$1.1 B | | |
| Patents | More than 5,000 U.S. patents | | |
| Ranking | 270 on the Fortune 500 | | |
| Investors | NASDAQ:AMAT | | |
| KEY CSR DATA | 2008 | 2007 | 2006 |
| GLOBAL GHG INVENTORY | | | |
| Total worldwide direct and indirect GHG emissions by weight (tCO ₂) | 183,326 | 202,000 | 204,000 |
| Other relevant indirect GHG (air travel) by weight (tCO ₂) | 45,206 | 36,806 | 33,960 |
| ELECTRICITY AND GAS PURCHASES | | | |
| Worldwide total - Electricity (GWh) | 320 | 347 | 355 |
| Worldwide total - Natural Gas (Therms) | 4,214,000 | 4,151,000 | 3,663,000 |
| OPERATIONAL WASTE | | | |
| Hazardous Waste (metric tons) | 1,100 | 1,950 | 2,190 |
| Non-hazardous waste (metric tons) | 1,300 | 1,560 | 2,330 |
| SANCTIONS FOR NONCOMPLIANCE | | | |
| Environmental law non-compliance fines (\$) (qty.) | 12,900 (2) | 1,400 (1) | 0 |
| RECYCLING | | | |
| Bottles, cans, packaging, paper diverted from landfill (tons) | 9,169 | 8,515 | 6,943 |
| WORKFORCE | | | |
| Total workforce worldwide | 14,824 | 14,002 | 14,072 |
| HEALTH AND SAFETY | | | |
| Total case incidence rate (TCIR) (North America (NA) only) | 1.13 | 1.56 | 1.70 |
| Total lost workday case incidence rate (DAFW) (NA only) | 0.27 | 0.27 | 0.29 |
| Total number of work-related fatalities worldwide | 0 | 0 | 0 |
| Number of ergonomic evaluations worldwide | 963 | 1,195 | 1,175 |
| EDUCATION AND TRAINING | | | |
| Total hours training provided by Applied Global University (online and classroom) | 754,133 | 902,838 | 1,096,733 |
| Total number of hours online training in pandemic preparedness for employees | 7,224 | 9,169 | 6,155 |
| Total number of employees, contractors, customers, interns, temps who received training | 25,210 | 26,195 | 23,769 |
| PHILANTHROPY | | | |
| Total Applied Materials philanthropic contributions and Foundation grants (\$M) | 12.0 | 8.5 | 9.6 |
| Total Employee Giving plus company match (\$M) | 3.0 | 3.9 | 3.5 |
| Total Volunteer Time Grant hours | 15,191 | 14,644 | 11,495 |

Stakeholders Engagement and Communications

| STAKEHOLDER | PROFILE | ENGAGEMENT AND COMMUNICATIONS |
|-------------------------------|--|--|
| Stockholders | Registered and beneficial stockholders of record | <ul style="list-style-type: none"> • Annual Meeting of Stockholders • Annual Report • Discussions with stockholder proposal proponents • Periodic SEC filings, such as 8-K • Quarterly earnings calls • SEC filings on Forms 10K, 10Q, and 8K |
| Employees | 14,824 employees (as of October 26, 2008) | <ul style="list-style-type: none"> • Applied Leadership Group programs • CEO blog and response dialogues • Ethics hotline and Ombudsman • Global Employee Opinion Survey • Quarterly video and Talk Box programs • Quarterly presentation with performance scorecard • Staff meetings • Training and development programs • Welcome to Applied new hire orientation • Worldwide Intranet |
| Customers | Semiconductor, LCD flat panel display, solar manufacturers | <ul style="list-style-type: none"> • Global and U.S. customer sales and service support offices in 18 countries • Industry tradeshows |
| Suppliers | Global supplier network that ranges from multinational companies to small, locally owned businesses | <ul style="list-style-type: none"> • Collaborating on global voluntary initiatives such as Electronics Industry Code of Conduct; ISO14001 Environment Management System; and EU Eco-Management and Audit Scheme • Green Procurement Guidelines • Quarterly Supplier Forum • Supplier development and safety programs • U.S. and non-U.S. small business, supplier diversity and local content programs |
| Local Communities | Active participation in the numerous communities around the world, particularly where we do business | <ul style="list-style-type: none"> • Community engagement and outreach programs • Leadership support of Technology Benefiting Humanity program • Worldwide employee volunteerism and U.S. matching contributions program |
| Nongovernmental organizations | Numerous business forums, philanthropic foundations, academic institutions and development organizations | <ul style="list-style-type: none"> • Conferences and meetings attendance • Engagement in direct dialogues • Hosting meetings and conferences • Participation in multi-stakeholder forums and initiatives |
| Governments | Government engagements in the US and other countries where we conduct business | <ul style="list-style-type: none"> • Various local, state and federal industry associations, governors' councils, economic forums, advisory boards, leadership groups, Chambers of Commerce, consortiums, and ad hoc committees |

GRI Data Mapping Table

| GRI # | PERFORMANCE INDICATOR DESCRIPTION | WHERE ADDRESSED IN REPORT | PAGE NUMBER |
|--|--|---------------------------|-------------|
| ECONOMIC | | | |
| EC1 | Direct economic value generated and distributed to capital providers and governments. | CORPORATE, PROXY | 4 |
| EC6 | Policy and practices of selecting locally-based suppliers at significant locations of operation. | SUPPLY CHAIN | 11 |
| EC7 | Preferences for local hiring from the local community at significant locations of operation. | WORKPLACE | 13 |
| ENVIRONMENT | | | |
| EN3 | Direct energy consumption (GWh) by primary source. | KPI TABLE | 29 |
| EN4 | Indirect energy consumption (GWh) by primary source. | KPI TABLE | 29 |
| EN6 | Initiatives to provide energy-efficient or renewable energy-based products and services. | ENVIRONMENT | 17 |
| EN7 | Initiatives to reduce indirect energy (electricity) consumption. | ENVIRONMENT | 17 |
| EN16 | Total direct and indirect GHG emissions by weight (tCO ₂). | KPI TABLE | 29 |
| EN17 | Other relevant indirect GHG (air travel) by weight (tCO ₂). | KPI TABLE | 29 |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | ENVIRONMENT, KPI TABLE | 16, 29 |
| EN22 | Total weight of waste by type (hazardous, non-hazardous). | KPI TABLE | 29 |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact of mitigation. | ENVIRONMENT | 17 |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | KPI TABLE | 29 |
| HUMAN RIGHTS | | | |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | WORKPLACE | 15 |
| HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | WORKPLACE | 15 |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor. | WORKPLACE | 15 |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | WORKPLACE | 14 |
| LABOR PRACTICES & DECENT WORK | | | |
| LA1 | Total workforce. | CORPORATE, KPI TABLE | 4, 29 |
| LA2 | Rate of employee turnover overall. | WORKPLACE | 13 |
| LA7 | Rates of injury, lost days, and total number of work-related fatalities by region. | KPI TABLE | 29 |

| | | | |
|--|--|-----------|----|
| LA10 | Total number of hours of training and average number of hours training per year, per employee. | KPI TABLE | 29 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees. | WORKPLACE | 14 |
| LA12 | Percentage of employees receiving regular performance and career development reviews. | WORKPLACE | 13 |
| SOCIETY | | | |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | WORKPLACE | 13 |
| SO5 | Public policy engagements; participation in public policy development and lobbying. | CORPORATE | 8 |
| <i>These indicators are determined not relevant to Applied Materials.</i> | | | |
| EN9 | Water sources significantly affected by withdrawal of water. | | |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | | |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | | |
| EN13 | Habitats protected or restored. | | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | | |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | | |

Safe Harbor Statement

This Report contains forward-looking statements, which are all statements other than those of historical fact, including those regarding Applied Materials' performance, strategies, products, operations, green initiatives, community activities and growth opportunities. 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 Nanomanufacturing Technology products, which is subject to many factors, including challenging global economic and industry conditions, end-use demand for electronic products and semiconductors, governmental renewable energy policies and incentives, and customers' utilization rates and capacity requirements; the technical, operational and financial feasibility of programs and initiatives; Applied's ability to timely (i) develop, deliver and support a broad range of products and expand its markets, (ii) align its cost structure with business conditions, (iii) plan and manage its resources and production capability, (iv) implement initiatives that enhance global operations and efficiencies, (v) obtain and protect IP rights in key technologies, and (vi) attract, motivate and retain key employees; and other risks described in Applied's Securities and Exchange Commission 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.

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