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## INTRODUCTION

**Welcome** to Applied Materials' 2009 Citizenship Report.

It is Applied's vision and goal to improve the way people live through the use of Nanomanufacturing Technology™ solutions. 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 the communities where we do business.

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*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 the communities where we do business.*

### REPORT PROFILE

The 2009 Citizenship Report provides highlights and data concerning the global operations of Applied Materials, Inc. and its subsidiaries (collectively referred to as the company) for the company's fiscal year 2009 (FY 2009), and covers the period from October 27, 2008 through October 25, 2009, unless otherwise noted.

This is Applied's second annual Citizenship Report. The company's first report on sustainability and social responsibility – the 2008 Citizenship Report – was released on March 1, 2009.

This report was written and produced by the Applied Materials Corporate Affairs group in Santa Clara, California, which can be reached at [corporate\\_responsibility@amat.com](mailto:corporate_responsibility@amat.com).

### REPORT SCOPE

This report follows the Reporting Framework and Sustainability Reporting Guidelines set forth by the Global Reporting Initiative™ (GRI). It includes descriptions, historic data and perspectives on the company's significant economic, environmental, and social impacts and contributions for FY 2009.

The report is comprised of seven narrative sections: Introduction, CEO Statement, Corporate, Supply Chain, Workplace, Environment and Community, which include key performance data for important Economic, Environmental and Social impacts and contributions for FY 2009.

This report also includes data tables. The Stakeholder Engagement and Communications table describes the key stakeholder groups that contribute to the company's success and that are directly or indirectly involved with driving the company's sustainability practices or are affected by them, consisting of stockholders, employees, customers, suppliers, local communities, non-government organizations, and governments. This table also identifies the company's means for engagement and communication with the corresponding stakeholder. Metrics pertaining to topic-related Performance Indicators for fiscal years 2007, 2008, and 2009 can also be found in the data table section. Lastly, a content index indicating the section location of GRI's standard disclosures – both profile and performance indicators – is included in the data tables.

As a multi-billion dollar global equipment manufacturer and service provider, Applied has business relationships with hundreds of upstream suppliers and dozens of downstream customers. Although many of our partners and customers are also committed to reducing their carbon footprint and increasing their social responsibility, this report covers only topics and data over which Applied has control and accountability.

Unless otherwise noted, this report does not discuss operational or financial performance of joint ventures, subsidiaries, leased facilities, or outsourced operations. Each section of the report – Corporate, Supply Chain, Workplace, Environment and Community – opens with an overview of that business element as it pertains to Applied and subsequent section content reflects policies, activities and data from FY 2009. There are no significant changes from previous reporting periods (i.e., 2008 Citizenship Report) in the scope, boundary or measurement methods applied in this report.

### ASSURANCE – GRI REPORT APPLICATION LEVEL

No external assurance or audits were used to evaluate this report. Applied Materials has self-reported this report to be at a GRI level C. The report includes the required profile disclosures (1.1, 2.1 – 2.10, 3.1 – 3.8, 3.10 – 3.12, 4.1 – 4.4, 4.14 – 4.15) and a minimum of ten performance indicators.

*Cover photos, left to right:*

*Xi'an, China: Applied celebrated 25 years in China and the opening of the Solar Technology Center – an advanced solar research and demonstration facility. Pictured are attending dignitaries Xi'an Party Secretary Sun Qingyun, Applied's Chairman and CEO Mike Splinter, and Governor of Shaanxi Province Yuan Chunqing.*

*Bangalore, India: During Earth Month (April) Applied employees and their families planted 42 saplings at Ambalipura School, adding to trees planted during 2008 EarthWorks activities.*

*Santa Clara, California: 45 Applied employee volunteers teamed with renewable energy experts from the GRID Alternatives organization to install 36 rooftop solar panels on 3 homes at the new Habitat for Humanity development.*

## CEO STATEMENT



*Washington, D.C.:  
Applied's Mike Splinter  
and U.S. Secretary of  
Energy Steven Chu  
celebrate the opening of  
the Solar Decathlon, an  
intercollegiate  
competition to design,  
build and operate the  
most attractive and  
energy-efficient solar-  
powered house.*

*(William B. Plowman/ AP  
Images for Applied Materials)*

Applied Materials did great things in 2009. As a Fortune 500 global technology leader, we helped shape the debate about clean energy with companies and governments around the globe and worked to advance renewable energy policies. We reacted quickly to the realities of the economy and urgent community needs and stepped forward with charitable funding. And we continued to press forward with meeting our own environmental goals while also restructuring our company to ensure greater sustainability and business flexibility.

The year marked an important milestone as our Energy and Environmental Solutions group reached \$1 billion in net sales and became the number one equipment supplier to the solar photovoltaic (PV) industry – just three years after we entered the solar market.

To broaden acceptance for clean technology around the globe, we focused on advancing clean energy policies, such as the Renewable Energy Standards being debated in the U.S. During the year, I was privileged to meet with President Obama on two occasions, bringing the voice of our company to the discussion on the American Recovery and Reinvestment Act as well as the importance of energy jobs in the long-term recovery of the U.S. economy. We also met with high-level Asian and European government officials to help move the clean energy agenda forward. All of these activities reassure me that Applied is recognized both as a trusted business advisor and clean technology leader.

Our presence was needed more than ever this past year in the communities where we work and live. We supported our traditional areas, such as providing funding for basic needs, education, and art and cultural programs, and expanded our focus on the environment. Faced with an urgent need, the Applied Materials Foundation donated \$1.5 million to community service agencies in Austin, Texas and the Silicon Valley, California. In India, the Applied Foundation funded two new organizations: SOS Children's Villages, providing housing and a family environment for abandoned children, and Akshaya Patra, a meal program designed to help children in poverty stricken areas stay in school. Also, through another philanthropic initiative launched in 2009, Applied funded the Joint Venture Silicon Valley Network's Climate Prosperity program, which we anticipate will be far-reaching in its impact.

Within the company, we re-evaluated our business processes, with an eye to making them more sustainable both from an operations and environmental perspective. We are in the midst of a multi-year restructuring program aimed at making us a leaner, more profitable company, one that uses all of our resources more effectively.

By consolidating facilities and employing energy-saving protocols, we made significant gains toward our 2012 environmental goal of reducing our carbon footprint by 20 percent over our 2006 baseline. In 2009, we reduced our operational greenhouse gas emissions by 7 percent from 2008, and we obtained 9.5 percent of our power from renewable sources. And, as projects like our Singapore Operations Center – constructed to Singapore's Building Construction Authority's Green Mark Platinum certification standards – come on-line it not only brings us closer to our customers (about two-thirds of our FY 2009 orders were from Asia), but also creates a state-of-the art environment for employees to work in.

Looking back over 2009, we had unique opportunities to help influence policies that can shape a brighter future and we used them effectively. I am proud of our global workforce's commitment to our business, to the environment and to the communities where we live and work as it is essential to our success – both now and in the future. We hope you will join us in reading more about our accomplishments in the 2009 Citizenship Report.

A handwritten signature in black ink, appearing to read "M. H. Lundstrom".

Chairman and Chief Executive Officer

2009 Citizenship Report

## CORPORATE



Founded in 1967, Applied Materials, Inc. (Applied) (NASDAQ: AMAT) today is the world leader in Nanomanufacturing Technology™ solutions. We provide the equipment and services that help make electronic innovations like smart phones, powerful computers and consumer electronics both possible and affordable.

Our people, systems and processes can be found in multibillion-dollar factories across three continents, helping to produce the electronic devices, flat panel displays, and solar photovoltaic (PV) panels that are changing the world.

This section of the 2009 Citizenship Report addresses the company's organizational profile, product set, investments, corporate governance, and stakeholder communications and engagements.

### CORPORATE PROFILE

Applied is a multi-business technology company fueled by world-class engineering and strong financial resources. We have a broad portfolio of innovative equipment, service and software products used in the manufacturing of semiconductor chips, flat panel displays, solar photovoltaic cells, flexible electronics, and energy efficient glass.

#### Operational Structure

We report our business in four segments, Silicon, Display, Energy and Environmental Solutions, and Applied Global Services. Each has a deep research and development pipeline of innovations designed to build on the company's core competencies and open new markets for our technology.

#### Global Presence

Applied is headquartered in Santa Clara, California, and has business operations in 108 locations in 18 countries worldwide. Our main manufacturing facility is located in Austin, Texas and we also conduct manufacturing in California, China, Germany, Israel, Italy, Singapore, Switzerland, and Taiwan.

#### Markets Served

Applied serves seven geographic markets: China, Europe, Japan, Korea, North America, Southeast Asia, and Taiwan. In FY 2009, approximately 83 percent of new orders were from customers in countries outside the United States, and 66 percent of orders were from customers in Asia-Pacific countries.

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*We have a broad portfolio of innovative equipment, service and software products used in the manufacturing of semiconductor chips, flat panel displays, solar photovoltaic cells, flexible electronics, and energy efficient glass.*

### Scale of the Organization

Over the past four decades, Applied has continued to explore, innovate and apply its expertise in Nanomanufacturing Technologies and has grown to be a multi-billion dollar global company. In 2009, faced with a tough economic climate, the company focused on reducing its cost structure, preserving its balance sheet and maintaining its investment in research and development, which resulted in a return to profitability in the fourth fiscal quarter.

At its fiscal year end on Oct. 25, 2009, the company had approximately 12,600 employees worldwide. Net sales for FY 2009 were \$5.01 billion, and the company reported a net loss of \$305 million for the year. Applied had a strong balance sheet with low debt and liquidity of approximately \$3 billion in cash, cash equivalents and investments, and reported total assets of \$9.57 billion at year end. There were no significant organizational changes during the reporting period in size, structure or ownership.

The breakdown of FY 2009 net sales by reporting segment as a percentage was:

Silicon	39
Applied Global Services	28
Energy and Environmental Solutions	23
Display	10

### Notable Achievements

Several years ago, Applied recognized emerging business opportunities associated with the rising awareness of climate change and the effects of greenhouse gas emissions. In response, we focused our product innovation and expertise on creating or acquiring technologies that could be used to manufacture solar panels and other products as part of our Energy and Environmental Solutions business. In addition, we put in place a strategic plan to decrease our carbon footprint by improving the energy efficiencies of our operations, manufacturing and products, which included increased use of renewable energy such as solar.

Notable achievements for 2009 include:

- Celebrated 25 years of operations in China
- Named number one solar photovoltaic equipment supplier
- Opened the world's largest commercial solar energy research facility in Xi'an, China
- Energy and Environmental Solutions business topped \$1 billion in annual net sales.

### INVESTMENTS – APPLIED VENTURES

Applied Ventures, LLC, the venture capital arm of Applied, invests in early-stage technology companies that have potential to deliver high growth and exceptional returns. The investment portfolio includes more than 25 early-stage companies which help

develop technologies and markets that provide natural extensions to Applied's core business and stimulate the growth of applications for semiconductors, displays, solar PVs, and related products and services.

## GOVERNANCE

### Board of Directors

Applied is a publicly-held company and is governed by a board of directors. The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. Our Corporate Governance Guidelines assist the Board in the exercise of its responsibilities and are a key element of the framework for the governance of Applied.

Various committees of the Board are responsible for managing specific tasks, such as setting strategy and organizational oversight. These include: the Audit, Corporate Governance and Nominating, Human Resources and Compensation, Investment, Stockholder Rights, and Strategy Committees.

On March 10, 2009, after 32 years with the company, James C. Morgan retired as Chairman of the Board and transitioned to Chairman Emeritus. He previously served as Chief Executive Officer from 1977 to 2003 and Chairman of the Board from 1987 to 2009. Michael R. Splinter, president and chief executive officer since 2003, became Chairman of the Board.

As of October 25, 2009, Applied's Board of Directors was comprised of 13 members. Twelve of the 13 directors are "independent directors" as defined by Securities and Exchange Commission rules and NASDAQ listing standards.

Stockholders or other stakeholders who wish to communicate with one or more board members may write to the director(s) in care of the corporate secretary of the company. Stockholders may also attend the Annual Meeting of Stockholders, where executive officers and board members are present.

### Standards of Business Conduct

Applied is committed to upholding the highest ethical standards in our workplace and in our business dealings. As part of its corporate governance, Applied has adopted a set of Standards of Business Conduct (available on the company's website) that applies to its entire workforce. Anyone who has questions about these standards or who wishes to report a concern may contact the company Ombudsman on a confidential basis, by email, U.S. mail, or via a 24-hour global toll-free hotline.

## PUBLIC POLICY

Decisions, regulations and laws passed and implemented by government bodies can have profound impacts on our business, employees and the communities where we operate. Areas subject to regulation include employment practices, energy and environment programs, financial reporting, taxes, transportation, global commerce, import and export controls, immigration, and other areas which affect our business and day-to-day operations. The worldwide policy issues currently addressed by Applied include

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*The worldwide policy issues currently addressed by Applied include renewable energy, trade, technology innovation, taxes, education and protecting the environment.*

renewable energy, trade, technology innovation, taxes, education, and protecting the environment. To help further the company's interest and those of our stakeholders, we work closely with local, state, federal, and other key policymakers around the globe.

Throughout 2009, Applied shared information about clean technology and solar energy with key government officials and policy makers around the world. Most notably, Applied's Chairman and CEO, Mike Splinter, met with President Obama at the White House to offer advice on ways to promote the country's economic recovery. Early in the year, he met with the President and a dozen CEOs from some of America's largest companies to discuss the American Recovery and Reinvestment Plan. Mid-year, he again joined the President and a small group of CEOs of leading companies in the energy sector to discuss the importance of energy jobs to the long-term recovery of the U.S. economy.

Mike Splinter was also named by the White House to the U.S.-India CEO Forum, a bilateral panel of business leaders who advise the two governments on expanding trade and investment. Mike Splinter is also a member (and immediate past chair) of the Technology CEO Council, a public policy advocacy organization comprised of eight chief executive officers from America's leading information technology companies. The council works to develop and advocate public policy positions on issues critical to the U.S. information technology industry's continued leadership and growth.

### Hosting High-Level Delegations

Applied's market and innovations in solar and related Nanomanufacturing Technologies attracts the interest of high-level government officials from around the world. These officials want to see first-hand how the company's expertise in silicon engineering is paving the way to new and improved technologies and products. Delegations visiting Applied facilities during 2009 included the Chinese Vice Premier, the Secretary-General of the United Nations, representatives of the European Parliament, the Minister of Economic Development of Italy, several members of the U.S. Congress, and the Governors of California and Colorado.

### High-Level Government Officials Meetings

In many areas, particularly solar energy, the company's business success depends on policymakers' clear understanding of Applied's technology solutions, potential applications and economic impact. Accordingly, our company executives engage key government officials on the potential of technological solutions to today's most pressing problems. On separate occasions, Applied Chairman and CEO Mike Splinter met with U.S. President Obama, Taiwan's President, and the Italian Minister of Economic Development.

### Industry and Public Education

Applied has a long history of inventing, building and marketing quality semiconductor manufacturing equipment and thin film application solutions. As we extended our thin film and display technologies to meet the needs of solar energy applications, we had to break into new markets. We have built our energy solutions business into a \$1 billion business, with most of it coming from solar. Just this past year Applied was recognized as the world's leading equipment supplier to the solar PV industry. One contributing factor to our early success is the amount of time we have spent building relationships and educating policy-makers on the economic value of clean energy.

In 2009, Applied hosted a Chinese delegation from the U.S.-China Clean Energy Forum, co-hosted a solar technology forum with the China Energy Research Institute, and hosted a panel discussion on scaling renewable energy with representatives from top U.S. utility-providers and green power experts in Washington D.C. In addition, at the Fortune Brainstorm Green and the Dow Jones Alternative Energy Innovations conferences, Mike Splinter urged attendees to set aggressive goals for renewable energy standards and to drive investment in clean technology solutions, specifically utility-scale solar energy projects.

### Committees and Memberships

During FY 2009, Applied executives served on advisory bodies to provide counsel to U.S. Government policymakers in several areas. These included involvement in:

- U.S.-India CEO Forum
- Industry Trade Advisory Committee
- Information Systems Technical Advisory Committee
- National Institute of Standards and Technology Advisory Board
- President's Export Council Subcommittee on Export Administration
- Regulation and Procedures Technical Advisory Committee
- Technology Innovation Program Advisory Board

Applied executives and employees serve in leadership roles in a number of trade associations with a goal of influencing favorable public policy outcomes. These include:

- Clean Technology & Sustainable Industries Organization (founder)
- EMC-3D Equipment & Materials Consortium
- Energy Security Leadership Council
- European Photovoltaic Industry Association (EPIA)
- Flextech Alliance (formerly U.S. Display Consortium)
- Governors' Council of the World Economic Forum
- Information Technology Industry Council
- Joint Venture Silicon Valley Network
- 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
- Trans-Atlantic Business Dialogue
- U.S.-China Clean Energy Forum
- U.S.-Taiwan Business Council

#### Political Contributions

Details of the company's political contributions are publicly available through the Federal Election Commission.

*Section photos, left to right:*

*Washington D.C.: Applied's Mike Splinter met with U.S. President Obama and a small group of CEOs of leading companies in the energy sector at the White House to discuss the importance of energy jobs in the long-term recovery of the U.S. economy.*

*Xi'an, China: In a global effort to reduce facilities costs, Applied is closing or consolidating some facilities while others, like the Applied facility in Xi'an, are being made more energy efficient by installing a solar array over the parking lot.*

*Santa Clara, California: Applied's Mike Splinter met with the Honorable Claudio Scajola, Minister of Economic Development for the Republic of Italy and his delegation and then toured Applied's R&D campus for a demonstration of the SunFab panel, the world's largest and most powerful solar panel.*

## SUPPLY CHAIN



As the leading equipment supplier to the global semiconductor, LCD flat panel display and solar photovoltaic (PV) industries, Applied Materials has an extensive supply chain. To produce our semiconductor, flat panel and solar products, our Global Supply Chain Organization (GSCO) purchases subsystems, parts, materials and services from more than 800 suppliers worldwide, with 75 prime strategic suppliers representing 80 percent of our annual procurement allocation. 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.

### GSCO RESPONSIBILITIES

Applied's 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, 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 their carbon footprint.

In 2009, our GSCO team noticed an increase in suppliers who proclaimed their own sustainability initiatives and have adopted socially- and environmentally-responsible business practices. This heightened awareness of suppliers has resulted in a positive change in both our expectations and a reduced carbon dioxide (CO<sub>2</sub>) footprint at the supplier sites. These socially and environmentally responsible business practices are particularly prevalent with our Japanese suppliers, who strive to supply highly energy-efficient products.

### MANAGEMENT GUIDELINES

The Applied GSCO supports and observes the following comprehensive internal processes and industry guidelines, 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 and in a sustainable way.

- Applied Global Materials Resources Manual (GMRM)
- Electronics Industry Code of Conduct (EICC)

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*By adhering to best practices and working together, Applied and its suppliers are able to maximize process efficiencies, improve product quality and minimize upstream and downstream supplier costs.*

- Green Procurement Guidelines
- ISO14001 Environment Management System (EMS)
- OSHA18000 International OS&H Management System Specification

These industry guidelines help to promote and ensure corporate social responsibility in the supply chain. By adhering to best practices and working together, Applied and its suppliers are able to maximize process and manufacturing efficiencies, improve product quality and minimize upstream and downstream supplier costs.

### ASSESSING PERFORMANCE

Applied GSCO personnel, research and development teams and product engineers are in frequent contact with our top suppliers, often with offices on-site with the supplier. In addition to working in close proximity with suppliers, we also perform formal performance audits and assessments. Throughout the year, suppliers are audited for product quality, technology innovation and cost, and we align management commitment to reducing energy usage and carbon footprint.

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

- Strategic suppliers must sign and comply with a comprehensive global supply agreement
- For initial audits, the GSCO uses the Integrated Supplier Assessment Tool (ISAT)
- Third-party auditors are used to perform Standardized Supplier Quality Assessment (SSQA) audits.

To facilitate continuous improvements by our suppliers in the areas of product quality, efficiency and safety, Applied conducts a monthly quality review, a quarterly business review and risk mitigation review as needed. Applied measures and monitors supplier performance via a Supplier Scorecard, which tracks the following five key areas: quality, management commitment, cost, delivery and technical capability. Scorecards are maintained and poor ratings trigger a supplier performance review and improvement plans. Our strategic road map suppliers achieved an average rating of 60 (out of 100) for FY 2009, with a goal of above 70 for 2010.

### ENVIRONMENTAL AWARENESS

To further raise environmental consciousness and facilitate communications with our supply chain, in 2009 we launched the first annual supplier Sustainability Self Assessment of our most strategic suppliers and received a 75 percent response rate, showing knowledge and application of sustainable business practices.

In 2009, the GSCO added the following performance indicators to the Supplier Scorecard that requires management commitment to reducing operational and environmental footprint:

- Environmental sustainability targets and objectives

- Safety and environmental management systems in place
- Reduction in emissions, pollution, materials and packaging.

Also in 2009, Applied strengthened the environmental impact and protection aspects with our manufacturing and supply chain. We adopted an ISO14001 (EMS) certification program which measures our CO<sub>2</sub> emissions. To further evaluate and control our emissions, we put in place a Carbon Accounting System, a pilot program through EICC. We invited our key suppliers to participate in this program.

Another sign of changing times was the favorable response from our key suppliers when the GSCO announced that the annual five-day Global Supplier Executive Forum was being replaced with a carbon-conscious, half-day meeting with top tier suppliers and key supply chain execs and managers.

### PLANS

Key business focuses for 2010:

- Invest in innovation; encourage and promote collaboration with suppliers
- Create affordable new products and services
- Increase business velocity, flexibility and efficiency
- Confirm manufacturing and operations sustainability through incident-free performance and environmental responsibility
- Focus on delighting our customers.

*Section photos, left to right:*

*Grossroehrsdorf, Germany: Applied secured lower priced key raw materials such as transparent conductive glass – one of the raw materials used on a SunFab Thin Film line – with a goal to reduce the cost of materials by 22 percent.*

*Pujiang, China: Applied staff celebrates the delivery of key components of its second SunFab™ line in China to Suntech Power Co.'s newly built facility near Shanghai.*

*Silicon Valley, California: The U.S. Brazil Innovation Learning Labs team, tasked with setting priorities and recommendations to boost entrepreneurial activities between the U.S. and Brazil, experienced the true size and scale of the 5.7m<sup>2</sup> thin film solar panel.*

## WORKPLACE



Applied Materials' business success and ability to improve the way people live depend 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.

### EMPLOYMENT

The year 2009 was an unusual and challenging year for all Applied stakeholders, especially for our employees. Faced with a weak global economy, we implemented various cost reduction activities. During the first quarter of FY 2009, Applied announced a restructuring program which included reducing its global workforce by approximately 1,800 positions. At the end of our fiscal year, Applied had a global workforce of approximately 12,600 regular full-time employees at 108 locations in 18 countries. Approximately 50 percent of employees are located in the U.S and the remainder in Europe and Asia.

#### Hiring Practices

In addition to hiring industry veterans, Applied regularly recruits new employees and student interns from local communities and universities. In 2009, Applied participated at more than 70 recruiting events and job fairs around the globe. We do not endorse, nor practice, child labor, forced or compulsory labor or excessive hours. All employees are fairly compensated for their work time.

#### Benefits

Applied offers a wide range of comprehensive benefit programs to its employees. In most locations, employees may choose from a variety of financial, health and family care, learning and development, defined benefit plans for retirement, and wellness programs. In the U.S., employees working less than 20 hours per week are not eligible to receive health benefits or participate in personal time off programs. Contractors and third party temporary workers do not participate in our benefit programs.

#### Communications

At Applied, we believe our two most important assets are our employees and our customers. By using a variety of communication channels – print, electronic, video, live conferencing, social media – we strive to promote alignment and collaboration within the company to ensure that employees are informed and actively engaged. In 2009, employee communications included regular emails from key executives, globally

broadcasted “Town Hall” sessions with Chairman and CEO Mike Splinter, increased frequency and depth of news postings on *InsideApplied*, the company’s employee Intranet portal, and the launch of *Clean Tech, Applied*, an interactive public blog featuring daily postings by Applied subject matter experts on the company’s innovations, environmental focus, public policy, community engagement and business activities.

## HEALTH AND SAFETY

Applied’s objective is to conduct its business operations in a manner that preserves the environment and protects the health and safety of workers, customers, suppliers, and neighboring communities. The global Environmental Health and Safety (EHS) group is responsible for employee health, industrial hygiene and product safety.

EHS manages a wide array of programs and services, and provides EHS-related resources.

- [EHS Global Audits](#) ensure health and safety of employees, contractors, visitors and track and report corrective action status.
- [Business Continuity Planning](#) group works with all organizations to mitigate the effects of a disaster or crisis.
- [Emergency Response Teams](#) respond to and minimize harm from emergencies which may threaten the health and safety of our workforce, the well-being of the environment and community, or the physical assets of Applied.
- [EHS Training](#) for all employees worldwide reinforces the safety program.
- [Ergonomics Program](#) provides total ergonomic solutions for decreasing desk-related injuries.
- [Global Health Services](#) help to protect, maintain and promote the health, safety and general well-being of applied employees.

EHS highlights from 2009 include:

- [Ergonomic Assessments](#) In response to an ergonomics awareness campaign, more than 1,150 employees either had an Applied ergonomics professional technician perform an on-site evaluation or completed an online self-evaluation of their workspace. Through early detection and remedial actions, the company realized a 44 percent reduction in the number of injuries, a 50 percent reduction in the number of lost days and a 50 percent reduction in costs associated with injuries in 2009 compared to 2008.
- [Free Flu Shots](#) Applied’s Global Health Services (GHS) offered free flu shots to employees, contractors and temporary workers in Silicon Valley, California and Austin, Texas. More than 50 percent of the workforce in these regions took advantage of this flu-prevention opportunity.
- [Blood Drives Save Lives](#) At the main campus in Santa Clara, California, 361 employees donated 363 units of blood in four blood drives

throughout the year. Similar drives were held in Austin, Texas. Along with blood drives, GHS also offers Bone Marrow Typing and has processed nearly 200 donors with the national Bone Marrow Registry since 2000. On the other side of the globe, GHS in Bangalore and Madras, India held 5 blood donation “camps” where 1,122 units were collected for the Madras Voluntary Blood Bureau and the Sankalp Foundation, which serve local hospitals and care centers. Blood drives were also held in China.

### Applied Wellness

The Applied Wellness team offers employees a variety of ways to get information about how they can improve their well-being and achieve work/life balance. On-line references, seminars, educational courses, and healthy lifestyle incentive programs all serve to improve the health and well-being of our employees and their families.

Applied Wellness also offers personal health resources in the form of web-based classes on popular and relevant health issues such as Fatigue and Sleep Management, Healthy Eating for Healthy Cholesterol, and Elder Care and Legal Issues. All Applied employees also have access to on-line and live health-related resources.

- [Employee Assistance Program](#) provides personal or professional crisis support.
- [LifeCare](#) is a nationwide education and referral service designed to assist employees with a wide range of work/life needs.
- [WebMD](#) offers a comprehensive personal health management portal, where employees can evaluate and track their own health status and improvements.

### APPLIED ANYWHERE

*Applied Anywhere* (A2) is a “distributed work location” program that is a step beyond traditional telecommuting from home. A secure log-on portal enables employees to access the Applied computer network from virtually anywhere – home, hotel, customer site and other remote locations.

Approximately 3,000 employees in 12 countries worldwide currently take advantage of A2 access, and expansion is continuing in Asia and Europe. A 2009 survey of A2 employees reported a renewed level of engagement with their jobs, increased satisfaction and increased productivity. Those surveyed also reported more than 70 percent reduction in monthly carbon emissions by reducing their travel. The offset is estimated to be equivalent to planting 8,000 trees.

### TRAINING AND EDUCATION

Applied’s success depends on its employees being innovative, flexible and responsive in meeting the demands of our various businesses. Ongoing personal and career development is essential to the success of our organization. It enables us to attract and retain top quality employees, provide career advancement opportunities, develop future leaders and stay on the cutting edge of technology.

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*In 2009, employees, contractors, temporary workers, and interns completed 434,000 hours of training through AGU, plus 4,600 hours of pandemic preparedness online training.*

Applied Global University (AGU), the delivery arm of the Learning and Development organization, offers more than 1,100 online courses and 2,700 classroom-based programs. In 2009, employees, contractors, temporary workers, and interns completed 434,000 hours of training through AGU, plus 4,600 hours of pandemic preparedness on-line training.

While many of the education courses and certifications offered by AGU are voluntary, some courses are required for all employees and contractors. Upon hire, employees and temporary workers complete courses that help promote a safe and ethical work environment: Affirmative Action, Applied Workplace Clean, Safe and Secure, Intellectual Property Protection, Drug Free Workplace and Harassment Prevention. Applied employees are also required to know and comply with policies contained in Applied's Standards of Business Conduct, which covers workplace concerns such as Applied Core Values, International Business Conduct, and Workplace Safety.

In addition to in-house training, Applied's North American tuition assistance program supported more than 350 employees in 2009, enabling them to further their education at accredited colleges and universities.

## DIVERSITY

Applied's continued business success, product innovation and industry leadership positions are fueled by our ability to attract and motivate the best and the brightest individuals from around the world, regardless of race, religion, gender, age, disabilities, or other protected categories. Applied embraces diversity and promotes inclusion in all areas of the business.

Incorporated into Applied's core values are two concepts that have helped shape our corporate culture and value of diversity as a competitive advantage:

- Respect for the individual - Mutual trust and respect for all.
- Global awareness - Embracing different perspectives leads to a wealth of opportunities.

In 2009, Applied continued efforts to raise awareness of diversity in the workplace and our communities, and made efforts to increase the diversity of the future science, technology, engineering and mathematics (STEM) talent pipeline through various employee resources and a new scholarship program.

- Hosted annual Diversity Day event in Austin, Texas entitled "Developing Leaders, Creating Change," which focused on global awareness and inclusion.
- Highlighted National Disability Employment Awareness Month by working with diversity partner Project HIRED, a non-profit which provides job placement services for people with disabilities, including providing volunteer speakers to help raise awareness on how employers can help people with disabilities achieve their maximum potential.

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*Incorporated into Applied's core values are two concepts that have helped shape our corporate culture and value of diversity as a competitive advantage: respect for the individual and global awareness.*

- Celebrated cultural history months (Hispanic, Asian-Pacific Islander, Women, American Indian and African American) with online articles, interviews, posters and events.
- Launched a Women in Science & Technology Scholarship program to encourage women and girls to excel in specific technical areas leading to careers in science and engineering. Specifically, grants are made to selected student organizations at universities committed to developing the next generation of female engineers.

### Affinity Groups

Applied promotes employee-led Affinity Groups that provide personal, professional and community development opportunities for Applied employees with similar interests. Cross-organizational work groups may focus on supporting education, retaining diverse employees, promoting career growth, cultivating leadership, or other principles which support the company's vision and core values.

Affinity Groups are open to all employees at Applied and represent a variety of interests:

- Green Matters (two chapters, both new in 2009)
- Hispanics in Partnership (two chapters, one new in 2009)
- Leadership Encouraging Achievement through Diversity (one chapter)
- Veterans' Employee Team (one chapter, new in 2009)
- Women's Professional Development Network (two chapters)

### PLANS

In fiscal 2010, Applied expects to take actions to strengthen its leadership in its global markets and deliver higher operating efficiencies. As part of a global restructuring plan announced in November 2009, Applied plans to reduce its global workforce by approximately 1,300 to 1,500 positions, or 10 to 12 percent, over 18 months. Restructuring is a challenging time for the company and for the employees affected by downsizing. To assist with the transition out of the company, Applied offers severance packages to affected employees in accordance with local standards and markets.

*Section photos, left to right:*

*Austin, Texas: Applied employees organized Diversity Day 2009 where the theme was Developing Leaders & Creating Change. Keynote speaker Karen Hughes, former Undersecretary of State for Public Diplomacy under President George W. Bush, spoke about her experiences with diversity and inclusion in a global context.*

*Silicon Valley, California: Applied's Maitreyee Mahajani (on right), received the YWCA's Tribute to Women and Industry (TWIN) Award. Ms Mahajani is a Senior Director and General Manager at Applied with responsibility for the Gate Stack Product Line. She was recognized for consistently meeting revenue and profit goals while achieving superior results for customers.*

*Mt. Fuji, Japan: During Earth Month, the Applied EarthWorks team collected trash near the base of Mt. Fuji.*

## ENVIRONMENT



Setting aggressive environmental improvement targets – including carbon reduction goals – and publicly reporting our progress are key indicators of leadership, who we are as a company and our effectiveness in social and environmental responsibility. The changes we make to minimize our environmental footprint improve all aspects of our company: people, products and profit.

Applied Materials' vision to improve the way people live is fundamental to how we interact with the planet and its natural resources. Sustainable environmental practices such as carefully managing our consumption of energy and water, purchasing green energy and eliminating manufacturing waste all contribute to reducing impacts on the Earth.

Applied's sustainable business practices also contribute directly to the bottom line by reducing costs – both immediate and long-term – and demonstrate responsibility to all stakeholders. Our customers are increasing their interest in reducing their environmental impacts as well, so it makes good business sense to show how we can help them.

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*In 2007, we announced ... sustainability goals which included reducing our carbon footprint by 20 percent – or 50,000 metric tons – by 2012:*

- *reduce electricity consumption by at least 10 percent*
- *reduce water consumption by at least 10 percent*
- *utilize at least 15 percent renewable energy in our facilities,*
- *achieve a solid waste diversion rate of at least 80 percent*
- *reduce paper consumption by 50 percent*

### REDUCTION GOALS

In 2007, we announced our first set of public sustainability goals, which included reducing our carbon footprint by 20 percent – or 50,000 metric tons – by 2012 (over a 2006 baseline). These goals also included reducing our electricity consumption worldwide by at least 10 percent, reducing water consumption worldwide by at least 10 percent, utilizing at least 15 percent renewable energy in our facilities, achieving a solid waste diversion rate of at least 80 percent, reducing paper consumption by 50 percent, and expanding our greenhouse gas emissions inventory, as well as our reporting on supply chain management and the associated social and environmental challenges. Our progress over the past year is described in this report.

### ENERGY

Roughly 80 percent of the carbon dioxide emissions associated with our business is attributable to the use of purchased electricity and natural gas. By applying our guiding principle of using energy responsibly throughout our business and improving energy efficiencies in our facilities, we are reducing our environmental footprint. In addition to improving our own efficiencies, Applied is intent on providing leadership on the subjects of energy efficiency and renewable energy and actively engaging in national and international forums.

### Energy Conservation

In 2009, the company implemented more than 30 energy-savings projects in our facilities that saved nearly 10 million kilowatt hours of electricity. The projects included optimization of air handlers, reduction of clean room lighting during off-hours, and upgrading building controls in some of the office buildings to facilitate multi-zone operation so evening and weekend users can light and ventilate portions of a building instead of an entire building.

### Global Energy Reductions

- Decreased worldwide electricity use by 14 percent compared to 2008 and 23 percent compared to 2006
- Decreased natural gas usage by 22 percent compared to 2008 and 12 percent compared to 2006
- Obtained 9.5 percent of our power from renewable energy in 2009.

An energy conservation project at our Silicon Valley, California campuses saved \$1.6 million in annual energy costs. Much of the reductions resulted from retrofitting existing HVAC systems in two buildings to optimize efficiency. This energy-saving project was so successful that Applied received an energy conservation rebate of \$2.3 million from the utility serving that campus.

For new facility construction, Applied builds for sustainability. In the U.S. and other countries, we follow the Leadership in Energy and Environmental Design (LEED) green building rating system, which ensures the building is “green” and reduces the negative environmental impacts. Our new operations center in Singapore is certified at the Platinum level under the Singapore Building and Construction Authority’s (BCA) Green Mark program (an analog to the LEED program). The 310,000 square foot facility incorporates advanced technical and design features that conserve energy and water, and improve safety and comfort for employees. These features should enable the building to operate with 33 percent less energy than a reference model for similar buildings and we expect to save \$1.3 million annually in energy and water costs.

### WATER

Water is a precious, dwindling resource, and supply is under considerable stress in many parts of the world. Although our operations are not particularly water-intensive (the R&D process consumes small amounts of water but manufacturing operations do not), the company strives to reduce water use and to help our customers do the same. Since 2006, we have reduced our worldwide water usage by approximately 29 percent, already exceeding our 2012 goal of 10 percent.

Applied obtains its water from municipal water company providers and does not directly withdraw from sources such as wells, lakes or rivers. No native water sources are affected by withdrawal of water reclamation processes or drainage. We recycle and reuse process water, blowdown from chillers and other water used in our manufacturing and laboratory operations wherever possible. Water can often be reused in semiconductor and solar operations for chilling or removing waste heat from various processes.

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*Since 2006, we have reduced our worldwide water usage by approximately 29 percent, already exceeding our 2012 goal of 10 percent.*

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*Between 2006 and 2008, the Silicon Valley campus saved over 51 million gallons of water (the equivalent of 2,500 average size swimming pools), an accomplishment that led to Applied's receipt of the 2009 Silicon Valley Water Conservation Award.*

Compared to 2008 data, we saw a 17 percent decrease in water use worldwide. The decrease can be attributed to closure or consolidation of some operations as well as water efficiency projects. At our main campuses in Silicon Valley, California – where the most water is used – we decreased water use overall by more than 14 percent through water efficiency projects, tool software changes (that reduced water flows during idle processing time), lab consolidation, and drought tolerant landscaping.

Between 2006 and 2008, the Silicon Valley campus saved over 51 million gallons of water (the equivalent of 2,500 average size swimming pools), an accomplishment that led to Applied's receipt of the 2009 Silicon Valley Water Conservation Award.

### EMISSIONS, EFFLUENTS AND WASTE

Applied's waste management practices are focused on reducing consumption of natural resources, which in turn reduces our operational and product emissions. Applied's initiatives to reduce greenhouse gas (GHG) emissions have resulted in a total worldwide reduction of direct (referred to as Scope 1 under GHG Protocol, Corporate Accounting and Reporting Standard) and indirect (Scope 2) GHG emissions by 8 percent over 2008, and by 14 percent since 2006.

Since 2007, Applied has been a member of the Climate Leaders Program, a voluntary initiative sponsored by the U.S. Environmental Protection Agency that has grown to nearly 300 business and nonprofit participants. Through our involvement with Climate Leaders, our three-year 50,000 metric tons carbon reduction goal set in 2007 was reviewed through an on-site audit by a program contractor and officially accepted by the USEPA in 2009.

In addition to tracking and publishing our Scope 1 and Scope 2 emissions, Applied tracks emissions associated with air travel (Scope 3, optional source of carbon). The Applied Climate Leaders team has worked closely with our travel service provider to track and manage air travel since 2007. Applied encourages teleconferencing instead of booking a trip, but we also understand that as a global company with employees and customers in more than 100 countries, some air travel is inevitable.

Since 2006, Applied has participated each year in the Carbon Disclosure Project, which provides comprehensive reporting of carbon risks and opportunities for use by institutional investors all over the world. Applied's disclosures are available on the CDP website. As reported, a very small amount of our emissions contain perfluorocarbons (PFCs) from our lab operations. We fully support the regulation of PFCs and other gases with high global climate change potential, and believe that the associated compliance costs are warranted in order to assure a cleaner and healthier environment. Initiatives to reduce pollution also create opportunities for Applied, since the company offers emissions measurement systems, pollution abatement equipment and clean tech consulting services.

### PRODUCT EFFICIENCIES

Applied's goal is to make our products at least 20 percent more energy efficient and environmentally friendly, on the average, by 2012 over a 2006 baseline. Towards that end, we provide training and tools to our design engineers and collaborate with other industry members and partners who have relevant expertise. For instance, in early 2009, Applied became the first equipment manufacturer to join International Sematech's

Environment, Safety & Health (ESH) “Green” Technology Center, a broad-based, collaborative platform for developing better environmental practices for the industry with goals of increasing efficiency and reducing costs in semiconductor operations.

We are also undertaking efforts to improve the water-use efficiency of our products. We created a modeling tool that allows engineers to assess the impact of design changes on feed-water requirements for our equipment, in order to reduce the water required for process, cooling and other purposes.

Applied's product design and analysis tools measure usage of electricity as well as other consumables such as clean air and nitrogen. In 2009, we achieved a decrease of 10 percent in the average energy usage of 15 semiconductor products, based upon consumption per wafer pass, realizable by customers during production.

In addition to improving efficiencies of existing products, Applied's new product designs incorporate improvements to reduce emissions and power and water requirements. The Applied iSYS™ tool is the industry's first fully integrated subfab solution for controlling emissions in the semiconductor fab. The iSYS platform is highly compact and energy-efficient, and can make automatic real-time adjustments in resource consumption depending on changing tool conditions. The iSYS tool enables customers to reduce the energy required to power various semiconductor tools by approximately 20 percent. Considering that most fabs utilize dozens of these process tools, the potential cumulative savings are significant.

### GREEN TEAMS – GREEN DEEDS

Applied recognizes that its employees are one of the company's most important assets. The company's success depends on their innovation, ingenuity and ongoing efforts to make the world a better – and greener – place to live.

In 2008, 100 employees in Silicon Valley, California and Austin, Texas formed the first Green Team, a coalition of employee volunteers who were eager to facilitate projects resulting in a cleaner environment. Over the past year, enthusiasm for reducing our global footprint soared as employees in China, Germany, India, Israel, Switzerland, and Taiwan also established their own local Green Teams, each one focusing on key environmental issues relative to their geographic region.

One successful “green” effort organized by the Green Team in Silicon Valley, California was a major landfill diversion project: the recycling of outdated or broken printers. The team worked closely with Applied's Corporate Asset Services group to sell used printers and toners. They also donated unsold printers and toner to RAFT – a non-profit organization that accumulates supplies for local schools – and salvaged toner cartridges for credit. The Green Team collected \$7,800 in sales, donated 300 printers and 460 toner cartridges, and salvaged more than 200 cartridges.

#### The Green IT Project

Launched in 2008, Applied's Global Information Services (GIS) group instituted a Green IT Project, which has evolved into an integrated part of nearly everything we do. Encompassing our supplier relationships, technology roadmaps and product lifecycles, the project has improved operational efficiencies and contributed to Applied's corporate greenhouse gas reduction goal. Elements included:

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*Over the past year, enthusiasm for reducing our global footprints soared as employees in China, Germany, India, Israel, Switzerland, and Taiwan also established their own local Green Teams, each one focusing on key environmental issues relative to their geographic region.*

- Increased the cooling efficiency of Applied's 9,000-square-foot data center in Austin.
- Aggressive use of virtualization, a technique that allows more computing power to be consolidated on the same physical hardware. GIS consolidated 500 physical servers onto 40 physical machines running 500 virtual servers, providing the same computing power at half the cost and cutting the time to deploy new servers from three days to three hours.
- Consolidated 27 separate server rooms at our headquarters campus into one location, moving 85 physical servers into one more efficient server room.
- Replaced laptops and desktops with Energy-star compliant models and installed heightened hibernation settings.
- Recycled used IT equipment or disposed of it in a responsible manner.
- Deployed several collaboration tools to reduce greenhouse gases through reduced travel and improved productivity.

### PLANS

Applied considers these emerging environmental, health and safety areas to be key challenges and opportunities for the company.

- Reducing the company's energy usage and associated carbon emissions while expanding the business. This challenge also presents opportunities for the company to be more efficient, to generate cost savings and to exert our leadership on these important issues.
- Improving social and environmental responsibility in supply chain management: understanding and managing supply chain impacts as the company grows and expands into new business markets.
- Reducing the toxicity associated with substances used in manufacturing and in products of all kinds has received increased worldwide attention, along with the potential risks associated with various uses of nanomaterials. The challenge for the company is to address these risks while continuing to provide equipment, processes and materials to our customers that meet their extraordinary technological requirements.

*Section photos, left to right:*

*Silicon Valley, California: Applied reduced water use at two campuses by 16 percent from 2006 to 2008 – saving 42.6 million gallons of water – and received one of ten Silicon Valley Water Conservation Awards.*

*Santa Clara, California: The Applied iSYS™ platform has a dedicated control computer which keeps each piece of equipment in the most efficient operating state at any given time, saving power, water and gas equivalent to 200 MWh of energy or 220,000 pounds of CO<sub>2</sub> emissions annually.*

*Xi'an, China: A new Solar Technology Center, an advanced solar research and demonstration facility, has the largest solar array in Xi'an – an adjacent 56 kW parking lot structure (not shown) – and is used for testing and training for both crystalline silicon and thin film solar module manufacturing equipment and processes.*

## COMMUNITY



At Applied, we know that our commitment to and involvement in the community are critical to our long-term sustainability. Through financial investments and employee involvement, we are helping to transform communities and improve the way people live. We are proud of our community involvement over the past 42 years, especially during years when economic and industry conditions were unusually challenging.

For many businesses – including Applied – 2009 was a tough year. The tightening of credit, disruptions in the financial markets, and global economic downturn affected nearly everyone. However, in spite of these adverse conditions, Applied, its employees, and the Applied Materials Foundation once again helped improve the lives of many around the globe through philanthropic contributions, community investments, and volunteerism throughout the year.

### INVESTMENTS IN OUR COMMUNITIES

Founded in 1994, the Applied Materials Foundation – the philanthropic arm of the company – provides a steady flow of community investments through varying business cycles and economic conditions. The Foundation’s key strategic funding areas are education, civic development (basic needs), the environment, and arts and culture. The Foundation strives to support sustained partnerships in four funding areas while allowing for responsiveness in support of urgent causes and emerging opportunities. In addition to making investments in the core funding, the company also provides support for a number of key signature events including the annual Tech Awards, presented by Applied Materials, and the Applied Materials Silicon Valley Turkey Trot.

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*In 2009, cash contributions from Applied and the Applied Foundation totaled \$10.7 million, including \$1.4 million to match employee contributions.*

Midyear, as the U.S. unemployment rate hit double digits, the Applied Foundation continued its strong tradition of supporting those in need. Two Foundation grants – \$1 million to establish an Urgent Community Response Fund at United Way Silicon Valley and \$500,000 to the Austin (Texas) Community Foundations Basic Needs Emergency Assistance Fund – provided a much-needed infusion of funds into the basic needs sub-sector to respond to increasing requests for food, financial assistance, shelter and other health and human services.

In 2009, cash contributions from Applied and the Applied Foundation totaled \$10.7 million, including \$1.4 million to match employee donations.

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*In 2009, over \$4 million of our philanthropic investments were directed to programs focused on education.*

### Education

Historically, education has been the major focus of Applied's philanthropic endeavors and partnerships. Through targeted support of strategic education efforts focused on student academic achievement and teacher professional development, the Foundation is enabling measurable results to ensure youth are prepared for higher education and success in life. In 2009, over \$4 million of our philanthropic investments were directed to programs focused on education.

The cornerstone of our educational philanthropy is our Education Initiative, launched in 2001. The Foundation annually invests an average of \$2 million specifically in support programs aimed at improving the test scores and graduation rates of underserved school districts in Silicon Valley, California, and Austin, Texas, where our corporate headquarters and principal manufacturing facilities, respectively, are located. Because of this sustained investment, Applied was recognized at the 2009 Santa Clara County (California) Children's Summit for its leadership and commitment to long-term change in two high-needs neighborhoods in San Jose. In addition, Kids in Common presented Applied with the "Bold Steps for Children Award," recognizing Applied's Education Initiative as a model corporate philanthropy strategy which is improving children's lives.

In 2009, Applied and the Applied Foundation also provided funding to programs that support student learning around the globe. In India, the Foundation continued a long-term collaboration with the American India Foundation (AIF) with the opening of three new Digital Equalizer Centers located in very low income areas and government-supported schools in Chennai and Mumbai, India. The AIF Digital Equalizer Program is a computer-aided learning program that prepares tens of thousands of children to compete in today's digital economy.

### Civic Development

Through its focus on civic development, Applied and the Foundation make strategic investments in organizations that provide basic needs (including shelter and food), support youth leadership and engagement activities, and help to strengthen the infrastructure of the nonprofit sector. In addition to the \$1.5 million infusion to respond to the increase in basic needs in Silicon Valley and Austin described above, Applied and the Foundation invested nearly \$2.3 million around the globe in a number of civic initiatives.

- In California, the Foundation pledged to donate \$500,000 over the next three years to Destination: Home, an agency focused on addressing the chronic homeless population.
- In India, the Foundation invested in two new organizations: SOS Children's Villages of India, which provides housing and a family environment for thousands of abandoned children, and Akshaya Patra, which provides mid-day meals to 1,000 children in poverty stricken areas.
- Applied was quick to mobilize emergency relief funds for victims of two natural disasters: the Abruzzo, Italy earthquake and Typhoon Morakot in Taiwan. In total, employees and the Applied Materials Foundation contributed more than \$120,000 to these relief efforts.

### Environment

Operationally, Applied has made measured improvements toward our environmental goals of reducing our carbon footprint by 20 percent by 2012 over a 2006 baseline. In addition to improving operational efficiencies inside the company, Applied and the Foundation provided more than \$500,000 to external agencies and organizations whose purposes are to protect and improve the environment.

Applied is a supporter of Climate Prosperity: A Greenprint for Silicon Valley, a project of Joint Venture Silicon Valley Network. The Greenprint is a comprehensive initiative to reduce greenhouse gas emissions while growing the local economy and enhancing quality of life. Along with 16 other members representing government, utilities, and corporations, Applied is a member of the Silicon Valley Climate Prosperity Council and provided funding for the position of director of climate prosperity for the project for 2 years.

Applied and the Foundation also invest in environmental education programs that inspire youth to adopt environmentally responsible behaviors and become stewards of the earth. Applied's Bright Future Card Game has been adopted by science and environmental educators in Singapore, with 2,800 decks distributed to 22 primary and secondary schools. And, at the Marsiling Secondary School in Singapore, Applied continues to sponsor the Environmental Education Hub: an interactive learning environment where students can have fun learning about new eco-friendly technologies and gain hands-on experience at being environmental ambassadors within their community.

New in 2009, Applied partnered with GRID Alternatives to provide solar panels and related equipment on five homes built by Habitat for Humanity in Santa Clara, California. In addition, Applied employees volunteered their time to install the 60 panels on the homes. The solar panels can generate about 2.4 kilowatt (kW) per house – enough energy to cover each family's entire electric bill, saving hundreds of dollars each year.

### Arts and Culture

For decades, Applied and its Foundation have supported a broad range of arts and cultural initiatives, from traditional programs to projects that take art "outside the box." These programs strive to reach people of diverse backgrounds, expose youth to artistic expression and creativity, support small- and mid-sized organizations, and encourage cross-sector collaboration and visionary leadership. Applied is a recognized sponsor of numerous public events and education programs, including community concerts, theatrical and operatic events, and art exhibits. In 2009, \$1 million was invested in arts and music events, education and program support.

In 2009, Applied received the prestigious BCA TEN award presented by Americans for the Arts. The honor recognizes the 10 best companies in the U.S. for exceptional involvement with the arts that enrich the workplace, enhance education and enliven the community. San Jose Opera nominated Applied for this honor.

Now in its eighth year, Applied's Excellence in the Arts Grants Program, a collaboration between the Applied Foundation and the Arts Council Silicon Valley in San Jose, California, supports artistic excellence and leadership development in small- and mid-sized arts organizations. In this highly competitive program, grants are awarded in the areas of artistic programming and technical assistance. In 2009, 27 grants totaling nearly

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*In 2009, Applied received the prestigious BCA TEN award presented by Americans for the Arts. The honor recognizes the 10 best companies in the U.S. for exceptional involvement with the arts that enrich the workplace, enhance education and enliven the community. San Jose Opera nominated Applied for this honor.*

\$80,000 were given to agencies that reflect the diversity of arts and cultural institutions in Silicon Valley.

Blending art and environment, "SunFlowers – An Electric Garden" is a unique public art project in Austin, Texas, funded in part by the Foundation. The Garden consists of 15 solar-powered sunflower sculptures that range in height from 18 to 24 feet. The array's largest photovoltaic "petals" form blossoms that span 15 feet in diameter. The self-powered art installation uses the solar power collected through its photovoltaic arrays to glow at night, providing much-needed lighting for a hike and bike trail. The array generates more than 18,000 kilowatt hours (kWh) of electricity annually, and excess power generated is channeled back into Austin's energy grid. The "SunFlowers" help familiarize people with solar energy and illustrate the possibilities for a solar-powered future.

In Korea, Applied made a significant gift to the Korea Children's Welfare Association, which will provide the opportunity for children living in social welfare organizations to experience the arts and take music lessons.

## EMPLOYEE INVOLVEMENT AND GIVING

Our employees are tremendous ambassadors and they model our value of making a positive social contribution. Both inside and outside the workplace, they provide significant benefits to their communities. Throughout the year and around the globe, Applied coordinates group volunteer activities that strengthen work teams and deliver community benefits.

A successful new employee involvement project in 2009 was the company's "Do One Thing" campaign held throughout April. Collectively raising their social and environmental consciousness, 1,600 people across the company and around the globe posted earth-friendly acts on the "Do One Thing" website. While some people volunteered to clean up parks and plant trees, others opted to save energy by turning off lights, lowering thermostats and idling computers, or reduce emissions by working from home or biking to work. In recognition for their efforts, the Foundation provided funding to plant 1,600 trees in Applied communities around the globe.

One of the major community events at Applied is the Annual Food Drive where employees across North America raise funds, contribute their time or donate canned food for regional food banks. In 2009, \$1 million was distributed to 28 food banks and employees volunteered more than 550 hours with hunger relief agencies.

### Employee Giving and Matching

Under the "Employee Giving Program," the Foundation matches donations (up to \$2,000 per employee) by U.S. employees who contribute to eligible non-profit organizations and schools. In 2009, employees donated \$1.5 million dollars to causes important to them through this program. The Foundation provided a matching gift of \$1.4 million, for a total of \$2.9 million in direct community benefit. Employees in India, Israel, Japan and Taiwan also made donations to select organizations committed to improving regional conditions.

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*In 2009, employee volunteerism increased by more than 11 percent and U.S. employees recorded 12,645 volunteer hours through the Volunteer Time Grant Program.*

Our U.S. Volunteer Time Grant program contributes \$250 to the non-profit organization or school where an employee volunteers 20 hours or more per year. In 2009, employee volunteerism increased by more than 11 percent. U.S. employees recorded 12,645 volunteer hours through the Volunteer Time Grant Program, resulting in a Foundation donation of \$51,250.

Through both good years and challenging years, Applied recognizes the volunteer efforts and generosity of our employees, and together we remain committed to making positive social contributions in our communities in order to help to improve people's lives.

## PLANS

During 2010, Applied's Global Community Affairs team intends to focus on:

- Increasing community investments in strategic environmental programs that leverage the benefits of renewable energy.
- Expanding volunteer initiatives around the globe.
- Offering employees in all regions access to a systematic channel to financially support community organizations.

*Section photos, left to right:*

*Tainan, Taiwan: Applied employee volunteers answered the Christmas wishes of 158 children, buying and wrapping presents for each one. Employees have taken part in this program for six years.*

*Bangladesh, India: Tech Award laureate Mohammed Rezwan designed a solar-powered hurricane lantern for use by students in rural areas with no electricity. When school is done, students take home recharged lanterns so they can study at night.*

*North America: The annual food drive raised \$1 million for 28 food banks across the U.S. and also included friendly competition between teams who created sculptures using food items that were later donated to the local food bank.*

## 2009 AWARDS

- *100 Best Corporate Citizens* – Corporate Responsibility Officer Magazine
- *Advanced Unit of Safety Management Award* – Xi’an Hi-Tech Zone
- *America's Most Admired Companies* – Fortune Magazine
- *Best Service & Quality Award* – Hynix-Numonyx
- *Bold Steps for Children Award* – Kids in Common, San Jose, Calif.
- *Brass Ring Award* – Second Harvest Food Bank, Santa Clara, Calif.
- *Certificate of Merit* – Union City (California) Sanitary District
- *Corporate DiversityFirst™ Award* – the Texas Diversity Council
- *Editor's Choice Best Product 2009 Award* – Semiconductor International Magazine
- *Excellence in Pretreatment Award* – the city of Austin, Texas
- *First Silicon Valley Water Conservation Award* – Silicon Valley Leadership Group
- *Green Innovation Award for innovative CMP technology finalist* – SEMI
- *Green Mark Platinum Award* – Singapore's Building and Construction Authority
- *Green Power Leadership Award* – U.S. Environmental Protection Agency
- *Power 10 Ranking* – Cleantech Blog (CNET's Greentech blog)
- *Supplier Excellence Award* – Texas Instruments
- *Top 10 Greenest Big Companies in America* – Newsweek Magazine
- *Top 10 Suppliers of PV Manufacturing Equipment Worldwide* – VLSI Research Inc.
- *Top 12 Green IT Vendors* – Computerworld Magazine
- *Top Corporate Philanthropist* – Silicon Valley/San Jose Business Journal
- *Top Military-Friendly Companies in the U.S.* – Hire/vetsFirst.gov

## INDICES

- Calvert
- Dow Jones Sustainability Index
- ECPI Ethical Index Global
- Ethibel Sustainability Index
- FTSE4Good
- KLD
- Maplecroft Climate Innovation Index

## DATA TABLES

### STAKEHOLDERS ENGAGEMENT AND COMMUNICATIONS

The below table identifies Applied's stakeholders and describes various means for engagement and communication.

STAKEHOLDER	PROFILE	ENGAGEMENT AND COMMUNICATIONS
Stockholders	Registered and beneficial stockholders of record	<ul style="list-style-type: none"> <li>• Annual Meeting of Stockholders</li> <li>• Annual Report</li> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Corporate website and Investor page</li> <li>• Discussions with stockholder proposal proponents</li> <li>• Quarterly earnings calls</li> <li>• Press releases</li> <li>• SEC filings on Forms 10-K, 10-Q and 8-K</li> </ul>
Employees	12,641 employees (as of 10/25/09)	<ul style="list-style-type: none"> <li>• Applied Leadership Group programs</li> <li>• Ask Applied Intranet employee Q&amp;A</li> <li>• CEO blog and response dialogues</li> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Company-wide emails</li> <li>• Ethics hotline and Ombudsman</li> <li>• Global Employee Opinion Survey</li> <li>• InsideApplied worldwide Intranet</li> <li>• Quarterly video and Talk Box programs</li> <li>• Quarterly business update</li> <li>• Staff meetings</li> <li>• Town Hall meetings</li> <li>• Training and development programs</li> <li>• Welcome to Applied new hire orientation</li> </ul>
Customers	Manufacturers of semiconductor chips, LCD flat panel displays, solar PVs, flexible electronics and energy efficient glass	<ul style="list-style-type: none"> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Global and U.S. customer sales and service support offices in 18 countries</li> <li>• Industry tradeshow</li> </ul>
Suppliers	Global supplier network that ranges from multinational companies to small, locally owned businesses	<ul style="list-style-type: none"> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Collaborating on global initiatives (i.e., EICC, ISO14001 Environment Management System and EU Eco-Management and Audit Scheme)</li> <li>• Corporate website</li> <li>• Green Procurement Guidelines</li> <li>• Supplier development and safety programs</li> <li>• Supplier Forum</li> <li>• U.S. and non-U.S. small business, supplier diversity and local programs</li> </ul>
Local Communities	Active participation in the numerous communities around the world, particularly where we do business	<ul style="list-style-type: none"> <li>• Applied Materials Foundation</li> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Community investments and outreach programs</li> <li>• Leadership support of community events (i.e., Tech Awards, Turkey Trot)</li> <li>• Worldwide employee volunteerism and U.S. matching gifts program</li> </ul>
Non-governmental Organizations	Numerous business forums, philanthropic foundations, academic institutions and development organizations	<ul style="list-style-type: none"> <li>• <i>Clean Tech, Applied</i> blog</li> <li>• Conferences and meetings attendance</li> <li>• Education Initiative Report</li> <li>• Engagement in direct dialogues</li> <li>• Hosting meetings and conferences</li> <li>• Participation in multi-stakeholder forums and initiatives</li> </ul>
Governments	Government engagements in the U.S. and other countries where we conduct business	<ul style="list-style-type: none"> <li>• Various local, state and federal industry associations, governors' councils, economic forums, advisory boards, leadership groups, Chambers of Commerce, consortiums, and ad hoc committees</li> </ul>

KEY PERFORMANCE INDICATORS (KPI)

The following tables identify key economic, environmental and social metrics for Applied for the fiscal years 2007, 2008, and 2009.

Economic

PERFORMANCE INDICATOR	DESCRIPTION	2009	2008	2007
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.			
	Net Sales, Operating Expenses (in thousands) Income (loss) from Operations (in thousands)	\$5.01B, \$1,824,421 (\$393,616)	\$8.13B, \$2,109,234 \$1,355,431	\$9.73B, \$2,120,937 \$2,371,506
	Total Applied Materials philanthropic contributions and Foundation grants (\$M)	10.7	12.0	8.5
	Total Employee Giving plus company match (\$M)	2.9	3.0	3.9
	Total Volunteer Time Grant hours	12,644	15,191	14,644

Environmental

PERFORMANCE INDICATOR	DESCRIPTION	2009	2008	2007
EN3	Direct energy consumption by primary energy source. (Gas) (Therms)	3,235,200	4,159,419	4,151,000
EN4	Indirect energy consumption by primary source. (Electricity) (GWh)	272	318	347
	Worldwide total - Green Power Purchases (GWh)	29	29	19
EN8	Total water withdrawal by source.(1)			
	Worldwide total - Water usage (CCF) (2)	487,500	587,500	558,500
EN16	Total direct and indirect greenhouse gas emissions by weight. (MTCE)	182,552	198,950	213,550
EN17	Other relevant indirect greenhouse gas emissions by weight. (MTCE)	31,748	34,101	29,949
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	negligible	negligible	negligible
EN21	Total water discharge by quality and destination. (CCF)	426,000	454,000	473,000
EN22	Total weight of waste by type and disposal method (Haz/Non-Haz) (metric tons)	1,390 / 1,500	1,100 / 1,300	1,950 / 1,560
	Recycling, diverted from landfill: bottles, cans, packaging, paper (tons)	9,090	9,169	8,515
EN23	Total number and volume of significant spills.	none	none	none

Social: Labor Practices and Decent Work

PERFORMANCE INDICATOR	DESCRIPTION	2009	2008	2007
LA1	Total workforce (by employment type, employment contract, and region)	12,619	14,824	14,002
	Workforce breakdown by region (RFT and interns)	NA: 6,170 EUR: 2,909 ASIA: 3,562	not available	not available
LA4	Percentage of employees covered by collective bargaining agreements	<4	not available	not available
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region			
	Total case incidence rate (TCIR) (North America (NA) only)	1.13	1.21	1.57
	Total lost workday case incidence rate (DAFW) (NA only)	0.17	0.34	0.27
	Total number of work-related fatalities worldwide	0	0	0
	Number of office ergonomic evaluations performed worldwide	1156	963	1195
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. (Total number of hours online training in pandemic preparedness)	4,600	7,224	9,169
	Total hours training provided to employees, contractors, interns, and temporary workers by Applied Global University (online and classroom)	434,000	754,133	902,838
LA12	Percentage of employees receiving regular performance and career development reviews	100	100	100

Notes:

(1) The only withdrawal is through a pump-and-treat system at the Arques campus (Sunnyvale, California) as a result of a legacy groundwater issue prior to Applied purchasing the land.

(2) Water footprint for owned facilities includes landscaping and process. Water footprint for leased facilities includes only process. Conversion: 1 m<sup>3</sup> = .353 CCF. Does not include "office-only" facilities.

G3 CONTENT INDEX

The following tables identify the locations of the corresponding GRI disclosures and performance indicators.

STANDARD DISCLOSURES: Profile Disclosures

DISCLOSURE	DESCRIPTION	SECTION
<b>1. Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization	CEO STATEMENT
<b>2. Organizational Profile</b>		
2.1	Name of the organization.	CORPORATE
2.2	Primary brands, products, and/or services.	CORPORATE
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	CORPORATE
2.4	Location of organization's headquarters.	CORPORATE
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	CORPORATE
2.6	Nature of ownership and legal form.	CORPORATE
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	CORPORATE
2.8	Scale of the reporting organization.	CORPORATE
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	CORPORATE
2.10	Awards received in the reporting period.	AWARDS
<b>3. Report Parameters</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	INTRODUCTION
3.2	Date of most recent previous report (if any).	INTRODUCTION
3.3	Reporting cycle (annual, biennial, etc.)	INTRODUCTION
3.4	Contact point for questions regarding the report or its contents.	INTRODUCTION
3.5	Process for defining report content.	INTRODUCTION
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	INTRODUCTION
3.7	State any specific limitations on the scope or boundary of the report.	INTRODUCTION
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	INTRODUCTION
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	INTRODUCTION
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	INTRODUCTION
3.12	Table identifying the location of the Standard Disclosures in the report.	DATA TABLE (G3)

STANDARD DISCLOSURES: Profile Disclosures (cont'd)

DISCLOSURE	DESCRIPTION	SECTION
<b>4. Governance, Commitments and Engagement</b>		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	CORPORATE
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CORPORATE
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	CORPORATE
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	CORPORATE
4.14	List of stakeholder groups engaged by the organization.	DATA TABLE (Stakeholder)
4.15	Basis for identification and selection of stakeholders with whom to engage.	DATA TABLE (Stakeholder)

STANDARD DISCLOSURES: Performance Indicators

PERFORMANCE INDICATOR	DESCRIPTION	SECTION
<b>Economic</b>		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	DATA TABLE (KPI)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	WORKPLACE
<b>Environmental</b>		
EN3	Direct energy consumption by primary energy source.	DATA TABLE (KPI)
EN4	Indirect energy consumption by primary source.	DATA TABLE (KPI)
EN8	Total water withdrawal by source.	DATA TABLE (KPI)
EN16	Total direct and indirect greenhouse gas emissions by weight.	DATA TABLE (KPI)
EN17	Other relevant indirect greenhouse gas emissions by weight.	DATA TABLE (KPI)
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	ENVIRONMENT
EN19	Emissions of ozone-depleting substances by weight.	DATA TABLE (KPI)
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	DATA TABLE (KPI)
EN21	Total water discharge by quality and destination.	DATA TABLE (KPI)
EN22	Total weight of waste by type and disposal method.	DATA TABLE (KPI)
EN23	Total number and volume of significant spills.	DATA TABLE (KPI)
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	ENVIRONMENT

STANDARD DISCLOSURES: Performance Indicators (cont'd)

PERFORMANCE INDICATOR	DESCRIPTION	SECTION
Social		
LA1	Total workforce by employment type, employment contract, and region.	DATA TABLE (KPI)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	WORKPLACE
LA4	Percentage of employees covered by collective bargaining agreements.	DATA TABLE (KPI)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	DATA TABLE (KPI)
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	WORKPLACE
LA12	Percentage of employees receiving regular performance and career development reviews.	DATA TABLE (KPI)
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
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	WORKPLACE
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	WORKPLACE



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