

# Applied Materials, Inc.

## 2012 Citizenship Report



Our customers run some of the most sophisticated manufacturing operations in the world. The industries we serve are moving to increasingly more complex manufacturing processes to meet demands for even faster, smaller, cooler, cheaper, safer, and cleaner electronics. As a trusted partner and innovation leader, Applied Materials provides critical products and services that help customers maximize the efficiency, output and reliability of their factories.

By adhering to a sustainability business model, Applied's goals are to streamline its operations, reduce its environmental impact and support its long-term commitment to communities around the world.

## A LETTER FROM OUR CEO

At Applied Materials, we believe that it's our responsibility to make a positive contribution to the industries we serve and to the communities where we operate. By making a commitment to sustainable business practices, environmental stewardship and community investments, we create value for our stockholders and customers while enriching the lives of our employees and neighbors around the world.

Our 2012 Citizenship Report provides an overview of our operations and documents key indicators of our environmental and community impact. In this year's report you can read about the installation of our new 2.5 megawatt wind turbine that now supplies over 30% of the electricity needs for our campus in Gloucester, Massachusetts. This is great example of our ongoing commitment to be smarter about the resources we use.

Responsible corporate citizenship is foundational to our purpose and our values, inspiring trust among our business partners and motivating our global workforce to make choices that are good for our company, our communities and our planet.



Michael R. Splinter  
Chairman & CEO

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**45 Years of Innovation and Community Support**

With more than 45 years of commitment to facilitating positive change through technological innovation, Applied’s vision for sustainability also includes a focus on social responsibility: improving the way people live, learn, work, and play in communities around the world.

In every aspect of our business, we strive to make innovative and positive changes while minimizing environmental impact, increasing energy efficiency and improving the performance of our operations and products to help build stronger communities.

# INTRODUCTION

Attention to social responsibility and environmental impact is evident in many aspects of Applied Materials: from our business operations to our support of local communities. We are proud of the positive impact the company and its employees have had in making the world a better place, whether it be contributing to the invention of products that radically advance the evolution of technology or generously giving to our communities and reaching out to those in need.

## Reporting History

Applied issued its first Environmental Responsibility Report in 2007. It included in-depth analysis of operational data collected for fiscal years 2004-2006 and offered a detailed dialogue regarding the company's goals, achievements and environmental impact.

Each year since then Applied has produced a broader report generally following the Global Reporting Index (GRI) Reporting Framework and addressing economic and social as well as environmental performance.

## About this Report

The scope of this 2012 update is more streamlined than in prior years and focuses on information not available elsewhere concerning Applied's environmental performance, community activities and workplace. The data provided covers the global operations of Applied Materials, Inc. and its subsidiaries (collectively referred to as Applied or the company) for its fiscal year ended October 28, 2012 (the last Sunday in October), except where indicated. Data is included for acquired businesses on a going forward basis from the acquisition close. For divested businesses, historical environmental data has been adjusted retroactively to exclude the discontinued operations. This report may be updated or revised from time to time.

In November 2011, Applied completed its acquisition of Varian Semiconductor Equipment Associates, Inc. (Varian), the market leader in ion implantation technology, which became a wholly-owned subsidiary. The acquisition added several facilities and about 1,500 employees to Applied's global operations.

A list of additional resources relating to our business and sustainability performance is located in the appendix of this report.

## Applied's Approach to Sustainability

Since its beginnings more than 45 years ago, Applied has based its values on ethics and integrity. The way we manage our company closely aligns with the U.N. Global Compact Principles in the areas of human rights, the environment and anti-corruption. Applied's approach to sustainability is based on this firm foundation, enabling us to reduce our impact on the environment and to improve the quality of life in the communities where we conduct business.

Our priorities include:

- Complying with environmental, health and safety requirements at all times;
- Continuously looking for ways to reduce, reuse and recycle resources like water and energy; and
- Contributing to and being a part of the community.

### FY2012 Company Overview\*

Net Sales:	\$8.7B
RD&E Spending:	\$1.2B
Global Presence:	92 locations in 19 countries
Employees Worldwide**:	~14,500
New Patents:	382
Total Patents:	~10,225
Founded:	Nov. 10, 1967

\*Fiscal year ended Oct. 28, 2012.

\*\*Excludes temporary.

# ENVIRONMENT

Applied Materials strives to conduct its business operations in a manner that preserves the environment and protects the health and safety of workers, customers and neighboring communities.

We are committed to complying with or exceeding all relevant regulatory requirements, to the prevention of pollution, and to continual improvement in the environmental, health and safety performance of our operations, processes and products.

Applied Materials is a full member of the Electronic Industry Citizenship Coalition (EICC), an organization focused on enhancing sound corporate citizenship and stewardship principles and enhancing sustainability initiatives. We also encourage our suppliers to improve the environmental, health and safety performance of their operations and products. Several of our customers are also members of EICC and expect our participation. Often, close collaboration between Applied, suppliers and customers results in innovative solutions that are good for business while benefiting the environment. Applied has an established team, consisting of supplier management and EHS personnel, that continually interacts with our suppliers to encourage their support of sustainability initiatives and to monitor their efforts through a process of education, training and reporting.

As of October 28, 2012, Applied's principal facilities footprint included 5,590,000 square feet of owned property and 1,147,000 square feet of leased property in 13 locations around the world. Of that, the recently-acquired Varian campuses in Gloucester and Newburyport, Massachusetts, comprise 540,000 square feet of owned properties and 135,000 square feet of leased properties. Applied's principal properties include facilities for research, development and engineering (RD&E), manufacturing, and customer support, as well as corporate offices. In addition to these properties, Applied leases office space for marketing, sales, engineering and customer support offices in 79 locations throughout the world. Applied's operational footprint varies over time as the company acquires new businesses and expands, consolidates and relocates operations, driven significantly in part by the highly cyclical and evolving nature of the industries it serves.

In light of the number, variability and diverse locations of Applied's offices, plants and warehouse facilities around the world, it is an ongoing challenge to consistently and accurately capture utility use and environmental impact data, especially for leased facilities or dedicated Applied space at customer sites. To better capture information about the company's environmental impact, Applied recently deployed an industry-leading energy and environmental management accounting software system (EEM system). The EEM system allows global data regarding water, waste, and greenhouse gas (GHG) emissions (scope 1, 2 and 3 under the Greenhouse Gas Protocol) to be collected, analyzed, and reported with consistent units and correlation to global reporting standards. Data is tracked and consolidated under a process that relies substantially on information provided by utilities and other third parties on a calendar year basis.

A primary focus in 2012 was to better utilize the EEM system and improve our data collection and assessment capabilities. As a result of a global restructuring announced in October 2012 and related activities, the company is in the process of redesigning its Sustainability team composition and functions. In 2013, Applied plans to formalize the data management process – including assigning roles and responsibilities – with the goal to improve data quality and reliability and enable us to better identify, prioritize and focus on critical sustainability issues. We also are evaluating best practices for describing the results of these efforts in future reports. For example, this may include using relative data – such as energy intensity reductions that take into account variations in operations – rather than absolute year-over-year data. We intend to use the 2012 data in this Report as our new baseline for 2012-2017, and we plan to establish new goals with respect to energy and water consumption, GHG emissions and waste and recycling. Future reports will update our progress toward these goals.

## Energy

Applied uses both direct (gas) and indirect (electricity) sources of energy for its global operations. A portion of its electricity comes from renewable sources in the form of green power purchases from utilities, as well as electricity generated by solar installations on-site at various Applied locations.

The following table shows direct and indirect worldwide energy consumption at Applied's owned facilities for the last three years as well as the amounts obtained from renewable sources:

### Annual Worldwide Energy Consumption<sup>1</sup>

	2010	2011	2012
Direct energy consumption by primary energy source (Gas) (Therms)	3,722,328	4,300,000	4,214,900
Indirect energy consumption by primary source (Electricity) (GWh)	309	292	296
Renewable Energy (Electricity) (GWh)	33	37	41 <sup>2</sup>

1 Data for sites owned by Applied, does not include leased facilities.

2 Renewable sources comprised 18% of total indirect energy consumption at North America owned facilities and 14% of total indirect energy consumption globally, in 2012.

In 2012, we continued to fine-tune existing energy reduction programs in our key facilities and to improve the energy efficiency of our products. Our goal is to realize an annual energy reduction at our facilities, in part by replacing or upgrading inefficient lighting systems with systems incorporating daylight harvesting, advanced lighting controls, higher-efficiency long life lamp/ballast, and/or new technology (e.g., LED). Other facilities upgrades include increasing process cooling water efficiencies, chiller plant improvements and boiler burner upgrades.

As a further sign of our commitment to sustainability, Applied continues to increase the amount of renewable energy it uses to power its operations in the U.S. and Asia. Its solar installations in Santa Clara, California; Austin, Texas; and Singapore generate a total of up to 3,200 MW hours of electricity annually, saving an estimated 2.4 million pounds of CO<sub>2</sub>.

## New Wind Turbine

In 2012, along with its acquisition of Varian, Applied gained plans for a giant wind turbine to be sited at Varian's manufacturing and RD&E center in Gloucester, Massachusetts.

Situated on the coast of New England, Gloucester was founded in 1623 and was one of the first English settlements. Today, the picturesque – and breezy – seaside town comprises 41 square miles and is home to about 30,000 people. Varian started the wind turbine project in 2007, but installation did not begin until after it became part of Applied. In October 2012, a barge from Boston arrived into Gloucester Harbor carrying the tower sections and blades for what would be the largest windmill in the U.S. northeast. And, a month later it went live.

The 2.5 MW wind turbine was designed to meet stringent environmental and safety standards. It is expected to supply more than 30% of the site's electricity and reduce site operating expenses by more than \$1 million annually. Planners predict that 99% of the power generated by the turbine will be used on-site, resulting in a 34% projected reduction in CO<sub>2</sub> emissions at the Gloucester site and reducing Applied's overall carbon footprint considerably.



A technician inspects the hub before the rotor assembly is hoisted into place.



The completed 2.5 MW turbine as seen from the edge of Gloucester, MA. The turbine is mounted on a 328-foot tower and was connected to the grid in November 2012.

## Water

Water is a critical natural resource. Applied operations are not water intensive, nor do we draw on protected sources for our water, and we take seriously our commitment to use water wisely.

Like other large, multi-national, engineering-based corporations, most of our water consumption is for sanitation purposes and landscaping, with a nominal percentage used in the manufacturing process for coolers and chillers. The following table shows the last three years water usage (CCF = 100 cubic feet):

### Annual Worldwide Water Usage<sup>1</sup>

	2010	2011	2012
Total water withdrawal by source (CCF) <sup>2</sup>	75,000	75,000	75,000
Worldwide total – water usage (CCF)	550,000	608,650 <sup>3</sup>	538,682

- 1 Water footprint for owned facilities includes landscaping and process. Water footprint for leased facilities includes only process with a conversion of 1m<sup>3</sup> = .353 CCF and does not include office-only facilities.
- 2 The only withdrawal is through a pump-and-treat system at the Arques campus (Sunnyvale, CA) as the result of a legacy groundwater issue that originated prior to Applied purchasing the land. Pump-and-treat operates at a generally consistent rate.
- 3 The 2011 Citizenship Report listed 2011 amount as 607,500 CCF. This figure has been updated using improved data provided by Applied's EEM system.

Starting in 2007, the company embarked on a water reduction program: achieve at least a 10% reduction in overall water consumption by 2012. Steady operational improvements included the installation of smart landscape watering systems, low-flow fixtures, use of recycled water, drought-tolerant landscaping, tap water purification systems in break rooms to reduce the use of bottled water, and use of compostable food service items.

By 2010, we had achieved reductions ahead of this goal, although usage increased in 2011. Taking into account the divestiture and acquisition of businesses since 2007, our net reduction in water consumption has averaged 10%. Global reduction efforts in 2012 helped decrease overall water usage to below 2010 levels.

On the product side, we continued to reduce the amount of water used during the manufacturing process by creating more efficient chillers and coolers for use by semiconductor customers.



## Greenhouse Gas Emissions

To reduce energy usage, Applied continues to make improvements to facilities and to streamline its operations, while also encouraging employee participation through incentives and information. Greenhouse gas (GHG) emissions are directly related to energy source. Applied is improving its on-site energy efficiency and is also working with energy suppliers to identify renewable energy sources with little or no GHG emissions.

The below table shows Applied's worldwide direct and indirect GHG for the last three years (MTCe = metric tons of carbon equivalent).

### Annual Worldwide Greenhouse Gas Emissions

	2010	2011	2012
Total direct and indirect greenhouse gas emissions by weight (MTCe) (Scope 1 + 2) <sup>1</sup>	178,406	163,000 <sup>2</sup>	186,303 <sup>3</sup>
Other relevant indirect greenhouse gas emissions by weight (MTCe) (Scope 3 air travel)	36,863	34,234	35,069

1 Carbon from electricity and fuel consumption from operations primarily at owned facilities.

2 The 2011 Citizenship Report listed 2011 amount as 157,140 MTCe. This figure has been updated using improved data provided by Applied's EEM system.

3 Scope 1 was 43,207 MTCe, Scope 2 was 143,096 MTCe.

In 2012, Applied's activities aimed at reducing GHG emissions included these ongoing and new efforts:

- Reduce GHG related to product shipment by manufacturing in closer proximity to major customers
  - Applied's Singapore manufacturing and transportation hub and Taiwan display manufacturing sites serve regional customers in China, Japan, Korea, Singapore and Taiwan
- Carpool/ride matching service for employees in California, Texas and Massachusetts
- Public and alternative transportation incentives for employees in California
- Preferred parking for carpool and hybrid vehicles and electric vehicle charging stations at California and Texas sites
- Work-from-home (AppliedAnywhere) program has 435 participants worldwide
- Tele- and video-conferencing for virtual work-groups and all-employee meetings
  - 14 TelePresence rooms worldwide used in 2012 saved an estimated 1,307 tons CO<sub>2</sub>
- Online employee training and Applied University classes
  - Applied offers 2,533 classes worldwide, of which 90% are offered on-line

While GHG emissions attributable to Applied's operations excluding Varian decreased nearly 7% in 2012 over 2011 data, the inclusion of Varian GHG emissions data in 2012 drove the corporate-wide total up nearly 13%, although the relative increase (GHG per sq. ft.) was only 3%.

## Waste and Recycling

Applied's 2012 goal was to reduce the volume of hazardous waste generated at all Applied operations, collectively, by 400 metric tons over 2011 quantities. Instead, off-site treatment of hazardous waste significantly increased due to the installation of an interim tank and haul waste water system required to be implemented at our Santa Clara, California facility. In 2012, this resulted in an increase of 928 metric tons of hazardous waste needing off-site treatment. A long term solution is underway that will include on-site treatment, holding tanks and a testing lab allowing Applied to treat the hazardous waste on site and discharge the resulting wastewater to a publicly owned treatment works. This project is expected to be completed in 2013.

Applied's Semitool business unit in Kalispell, Montana, reported a significant increase in recycled waste, representing a comparable increase in landfill diversion for the site and enabling Applied to maintain a diversion rate of greater than 85%.

The inclusion of the Varian acquisition waste and recycling data also contributed to the increase in waste metrics for 2012.

### Annual Worldwide Waste, Recycling and Diversion

	2010	2011	2012
Total weight of waste by type and disposal method (metric tons):			
– Hazardous waste treated off-site	612	617	2,201
– Landfill (non-hazardous)	723	1,167	1,352
– Recycled/composted/diverted	6,148	6,545	9,190
– Diversion Rate (%)	89.5	84.9	87.1

## COMMITMENT TO COMMUNITY

Good corporate citizenship and active social responsibility are a natural extension of the company's purpose, values and business goals. In 2012, Applied Materials and the Applied Materials Foundation contributed nearly \$11 million to a variety of educational and social causes around the world that have helped to improve lives and strengthen communities. In addition, our employee volunteers participated at company-lead community efforts as well as gave personal time and resources to favorite non-profit organizations.

Long-term, strategic community support and personal involvement benefit communities, help to galvanize our workforce, and enrich the longevity of our sustainable business model. Our focus on environmental stewardship and education also serves to inspire trust and inspiration among our business partners; together, we can care for our planet.

### Supporting Clean Energy Initiatives

In 2012, in keeping with our operational goal to reduce our carbon footprint and our business focus on clean energy solutions, the company and the Applied Materials Foundation made notable strategic investments that promote the social, financial and health advantages of renewable energy. The following is a sampling of the dozens of organizations supported by Applied or the Applied Materials Foundation (the Foundation) with respect to 2012 activities.

- Initiated Collaborative for Clean Energy, a partnership with Santa Clara University's Center for Science, Technology and Society, to provide direct training to clean energy social enterprises in **India** and **China**.
- Supported the nonprofit organization, Prospect Silicon Valley, in establishing a facility in San Jose, **California**, to be used for developing solar, clean transportation, smart grid, renewable energy storage and other clean technologies.
- Provided funding for SOS Children's Villages, a US-based nonprofit, to install solar powered street lighting in Chennai and Bangalore, **India**.
- Laid the groundwork for the Solar Decathlon China competition, which brings together teams from 35 universities to build affordable, energy-efficient and attractive single family homes, which is scheduled to debut in Datong, **China** in August 2013.
- Collaborated with nonprofit E+Co and SELCO Solar Pvt. Ltd to electrify 1,000 village households and 10 schools in Karnataka, **India** via solar lighting systems.
- Hosted the Applied Materials Clean Tech Competition in the San Francisco Bay Area and Xi'an, **China** to inspire the next generation of innovators to engineer a solar-powered solution to humanitarian crisis in the aftermath of a disaster.



Applied employees volunteer in Santa Clara, CA, weeding out non-native, invasive plants along the Guadalupe River during annual river restoration days.

## Employee Engagement

To complement community investments, Applied and the Applied Materials Foundation supported employee engagement and giving through volunteer recognition and matching gift programs. In 2012, employees actively participated in numerous charitable events and programs around the world. Notable endeavors included:

- Expanded our Employee Giving & Matching Program to include employees who joined Applied through the acquisition of Varian. Contributions from employees plus the Foundation match generated **\$4M** for charities and schools.
- Annual Food Drive hit record high, generating **\$1.2M** for 38 food banks across the US and the **World Food Program**.
- Employees logged over 9,000 hours into the company's online GivingStation which resulted in nearly **\$40,000** being donated to non-profit organizations.
- Employee volunteers built solar-powered homes with Habitat for Humanity in Korea.
- An EarthWorks campaign to raise awareness of, and participation in, EarthDay activities engaged employees in 35 educational and volunteer activities in 7 countries in the spring.

### Annual Worldwide Community Investments

	2010	2011	2012
Total of community investments by Applied Materials and Foundation grants (\$M). (Excludes administrative costs and in-kind donations)	11.6	11.7	10.7
Total Employee Giving plus company match (\$M)	2.7	3.4	4.0
Total Volunteer Time Grant hours logged	8,441	8,945 <sup>1</sup>	9,015
Total contributions paid by Applied Materials Foundation based on Time Grant hours	\$34,750	\$33,250	\$38,500

<sup>1</sup> Volunteer data adjusted from amount reported in 2011 Citizenship Report to capture all volunteer hours logged. Prior report captured up to 20 hours only per organization.

# WORKPLACE

As of the end of fiscal 2012, Applied's workforce included approximately 14,500 regular employees and 500 temporary workers, spanning 92 worldwide locations in 19 countries.

We know that Applied's greatest strength is its employees and that a key to our success is making our company a great place to work. Each year we conduct a survey to gain input on areas and programs that employees believe are working well, as well as ideas for changes or improvements. The 2012 Employee Survey had the highest participation rate and engagement score to date, and it also confirmed that career development continued to be a key driver of engagement.

Applied provides various resources to help employees build their knowledge, skills and abilities for personal and career development, and also to help promote a safe and ethical work environment. Through Applied Global University (AGU), the company offers online and classroom-based courses covering a variety of subjects, including required courses on topics such as hazardous materials, harassment prevention, and ergonomics. Employees also must complete training on and comply with Applied's Standards of Business Conduct (available on Applied's website), which facilitate ethical decision-making and conduct.

The below tables reflect some key data pertaining to the company's workforce training and development, as well as safety metrics for the last three years.

## Training and Development

	2010	2011	2012
Average hours of training per year per person by category – regular full-time employees (RFT) and total (RFT, temps, contractors, interns)	34 RFT 24 total	40 RFT 26 total	41 RFT 28 total
Percentage of employees receiving regular performance and career development reviews <sup>1</sup>	90	94	95

<sup>1</sup> Every employee is encouraged annually to complete an online Performance Appraisal that becomes part of their permanent record and can serve as a basis for career development planning. While nearly all eligible employees receive performance ratings from their manager, not all employees complete the appraisal. In addition, employees are encouraged annually to complete an Individual Development Plan that includes skills assessment and a development roadmap. In 2012, 75% of employees had an IDP in place.

## Safety Metrics

	2010	2011	2012
<b>North America</b>			
Total case incidence rate (TCIR)	1.55	1.05	0.80
Injuries or illnesses resulting in days away from work, restricted work activity, or job transfer for every 100 employees (Days Away & Restricted Time or DART)	0.85	0.56	0.43
Number of work-related fatalities	0	0	0
<b>Worldwide</b>			
Total case incidence rate (TCIR)	1	0.81	0.52
Injuries or illnesses resulting in days away from work, restricted work activity, or job transfer for every 100 employees (DART)	0.56	0.51	0.31
Number of work-related fatalities	0	0	0
Number of office ergonomic evaluations performed	1,777	812	921

As a leading supplier of manufacturing equipment and services to the global semiconductor, display and solar industries, Applied is subject to the highly cyclical conditions that characterize these industries. To align its operations with business conditions while maintaining competitive advantage, Applied from time to time takes steps to adjust its worldwide organization and workforce, including restructuring actions. In 2012, Applied announced a restructuring plan consisting of a voluntary retirement program for certain eligible U.S. employees, together with other workforce reduction actions globally across multiple business segments and functions, which were expected to affect approximately 900 to 1,300 positions and to be substantially completed in 2013.

## Human Rights

Applied Materials has demonstrated its commitment to Human Rights by operating in an ethical and responsible manner. As stated in the Applied Materials Standards of Business Conduct applicable to our global workforce and supply chain, the company “prohibits the use of child labor, and the use of forced, bonded, or indentured labor practices in our operations. Additionally, we forbid harsh or inhumane treatment, including corporal punishment or the threat of corporal punishment.” In 2013, Applied intends to formally implement its U.S. Policy for Child Labor Avoidance that clarifies and reinforces the prohibition on child labor in all countries in which it operates.

### Human Rights Indicator

	2010	2011	2012
Number and percentage of operations that have been subject to human rights reviews or impact assessments, by country	0	0	0

# APPENDIX

## Resources and References

Additional information regarding Applied Materials' business and corporate citizenship activities is available on our website and elsewhere online at the following links:

[Applied Materials Blog](#)

[Applied Materials on Facebook](#)

[Awards and Recognition](#)

[Carbon Disclosure Project](#) – Annual Water Use and Greenhouse Gas Emissions Reports

[Community Involvement](#)

[Company History](#)

[Corporate Governance](#) – see the company's annual Proxy Statement

[Corporate Responsibility](#)

[Economic Impact and Financials](#) – see the company's annual report and Form 10-K

[Environmental, Health and Safety](#)

[Global Clean Power Generation](#) – solar site details and real-time data

[How We Do It](#) – A primer to our business, products, and the industries we serve

[ISO Certifications](#)

[Organizational Profile](#)

[Standards of Business Conduct](#)

[Sustainability Policy and Guiding Principles](#)

[Workplace, Diversity, Career Development](#)

## Contact Us

If you would like more information on Applied Materials, please visit our website at [www.appliedmaterials.com](http://www.appliedmaterials.com). If you have specific questions or comments on the content of this report, contact our sustainability reporting team at: [corporate\\_responsibility@amat.com](mailto:corporate_responsibility@amat.com).

## Legal Disclosure

Safe Harbor Statement. This report contains forward-looking statements, which are all statements other than those of historical fact, including those regarding Applied's products, operations, strategies, and goals. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including: the level of demand for Applied's products, which is subject to many factors, such as uncertain global economic and industry conditions, technology trends, customers' requirements, and government policies and incentives; the concentrated nature of Applied's customer base; Applied's ability to (i) develop and deliver a broad range of products and expand its markets, (ii) timely align its cost structure with business conditions, (iii) plan and manage its resources and production capability, and (iv) attract, motivate and retain key employees; and other risks described in Applied's most recent periodic and current reports. All forward-looking statements are based on management's estimates, projections and assumptions, and Applied undertakes no obligation to update any forward-looking statements.

**Applied Materials**

3050 Bowers Avenue

P.O. Box 58039

Santa Clara, CA 95054-3299

U.S.A.

Tel: +1-408-727-5555

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