



SOFTWARE

SERVICES

ENERGY AND ENVIRONMENT

WE APPLY NANOMANUFACTURING TECHNOLOGY TO IMPROVE THE WAY PEOPLE LIVE

SOLAR

DISPLAY

SEMICONDUCTOR

COMPANY COMMITMENT

COMMUNITY COMMITMENT

APPLIED MATERIALS®

ANNUAL REPORT 07

Today, more than ever before, Applied Materials is leading the **nanomanufacturing technology** revolution with innovations that **transform markets**, create opportunities and offer a cleaner, **brighter future** to people around the globe—delivering solutions that expand possibilities while driving down costs. With our **thin film technologies**, services and software for manufacturing semiconductors, flat panel displays, solar arrays, and other energy and environmental solutions, we are changing the world.

FOR MORE INFORMATION ABOUT HOW APPLIED MATERIALS IMPROVES THE WAY PEOPLE LIVE, SEE:

WWW.APPLIEDMATERIALS.COM/ABOUT/BRIGHT_FUTURE.HTML

FINANCIAL HIGHLIGHTS

07

New Orders (in millions)

fiscal year



Net Sales (in millions)

fiscal year



Earnings per Share

fiscal year



2005	2006	2007	FISCAL YEAR ENDED (in thousands, except percentages and per share amounts)
\$ 6,991,823	\$ 9,167,014	\$ 9,734,856	Net sales
\$ 1,209,900	\$ 1,516,663	\$ 1,710,196	Net income
\$ 0.73	\$ 0.97	\$ 1.20	Net income per diluted share
1,657,493	1,565,072	1,427,002	Weighted average common shares
\$ 8,928,549	\$ 6,651,400	\$ 7,821,409	Stockholders' equity
13.3%	19.5%	23.6%	Return on equity*
\$ 2,570,808	\$ 3,398,280	\$ 3,654,704	Order backlog

*Based on net income



To our stockholders,

Applied Materials produced a strong year in 2007, both financially and operationally.

We grew revenue to a record level, achieved a 24 percent increase over last year in earnings per share, and generated record operating cash flow that allowed the Company to return substantial cash to stockholders. At the same time, we made investments in research and development—the key to new products and innovations—on pace with the highest levels in our history. Long the world leader for semiconductor equipment and solutions, we have extended that leadership position to become number one in equipment for flat panel liquid crystal displays and for energy-efficient glass coating, and soon for solar. In each of these areas, we outgrew the market this past year. Applied Materials' strategy for fiscal 2007 was clear—grow in the core areas of our business, expand into new markets and achieve a new level of operating performance. And, we delivered on all three.

Considerable positive changes occurred at Applied Materials in 2007 that point to a bright future for the Company as a valued investment for our stockholders. The newly-created Silicon Systems Group brings together all of Applied Materials' semiconductor equipment products into a single, unified organization and is the best structure to address the future opportunities for this business. To be at the forefront of the industry, we must lead in innovation, time-to-market, quality and reliability, customer satisfaction, and financial excellence. A single semiconductor equipment group strengthens our position in each of these dimensions, and offers the opportunity to capture the operating synergies of a streamlined organization. Applied Materials is recognized now as more than a semiconductor equipment company, reflecting

the different markets and opportunities of our various businesses. In terms of opportunity, our entry into the solar photovoltaic area is exciting and leverages our core capabilities—the commercialization and distribution of sophisticated systems, thin films engineering and global reach—for growth in new markets.

While growing our top line, Applied is committed to reducing both the direct and indirect impact of our business operations and products on the environment. We have established a new goal for the sustainable operation of our global business. By 2012, Applied Materials intends to reduce its environmental footprint by at least 50,000 tons of carbon equivalents, or approximately 20 percent of the Company's footprint in 2006, and to improve the energy efficiency of our products by at least 20 percent.

Also this year, we took steps to strengthen returns to stockholders. Since the beginning of fiscal 2006, we have returned \$5.5 billion to our stockholders through share repurchases—including a \$2.6 billion accelerated share repurchase program. And in 2007, our Board of Directors increased the cash dividend by 20 percent over 2006.

Applied Materials emerged from 2007 with new capabilities and new opportunities that point to a bright future. Today, Applied is the global leader in nanomanufacturing technology with a broad portfolio of innovative equipment, service and software for the fabrication of semiconductor chips, flat panel displays, solar photovoltaic cells, flexible electronics and energy-efficient glass. Nanomanufacturing technology expands possibilities while driving down cost. Our long-standing commitment to this principle inspires



everything we do. During our 40-year experience in the semiconductor industry, we have helped to drive down the cost of manufacturing transistors more than 20 million times while shrinking the dimensions of electronic circuitry to the point where it is measured in nanometers—billionths of a meter. We have enabled a dramatic reduction in the cost of high-quality, high-definition flat panel displays. And, now we are focusing this experience to bring new possibilities and new solutions for the conservation and generation of energy. This is Applied Materials' legacy of 40 years of innovation—we imagine what is possible, and then we make it a reality.

Nanomanufacturing profoundly impacts the world we live in today, and the world our children will live in tomorrow. Our focus is on leading the nanomanufacturing technology revolution with innovations that transform markets, create opportunities, and offer a cleaner, brighter future to people around the globe. Revolutionary innovation demands more than fresh thinking in current markets. It means envisioning marketplace evolution where no one has seen it before. It means exploring new market opportunities and investing now in innovation for the future. We are leading nanomanufacturing by driving technology development, enabling our customers to create affordable innovations that ultimately change the world. We are revolutionizing nanomanufacturing by making it more productive and more green, with the goal of helping our customers reduce their carbon footprints.

At Applied Materials, our 40-year track record of opening and innovating markets is only the beginning. In 2008, with changing market dynamics, we will focus on execution and efficiency in all of our businesses and on expanding the building wave in solar. This is our time to demonstrate the power of applying nanomanufacturing technology to grow the company in our core areas and beyond. From semiconductors to solar, our vision is to apply nanomanufacturing technology to improve the way people live.

We would like to thank you—our stockholders—for your confidence and support. Your commitment, along with the dedication of our customers, suppliers and the global team of Applied Materials employees, fuels our momentum. Together, we can create a bright future—one innovation at a time.

Sincerely,

Michael R. Splinter
President and
Chief Executive Officer

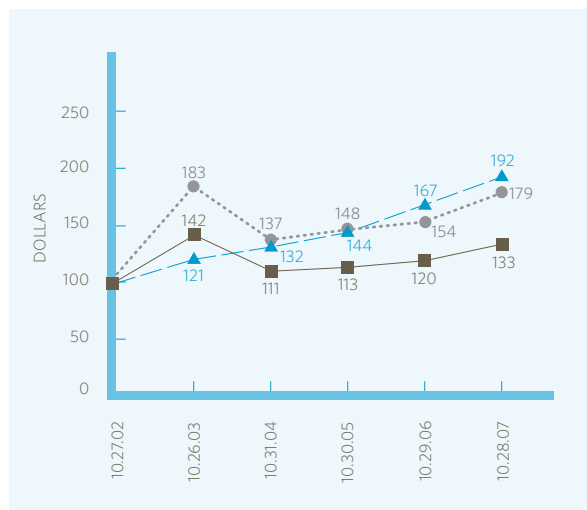
James C. Morgan
Chairman of the
Board of Directors

December 14, 2007

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Applied Materials, Inc., the S&P 500 Index and the RDG Semiconductor Composite Index

The RDG Semiconductor Composite Index contains 163 companies in the semiconductor equipment, semiconductor manufacturing and related industries.



■ APPLIED MATERIALS
▲ S&P 500 INDEX
● RDG SEMICONDUCTOR COMPOSITE INDEX

*\$100 invested on 10/27/02 in stock or on 10/31/02 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

STOCKHOLDERS' INFORMATION

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Mountain View, California

NUMBER OF REGISTERED STOCKHOLDERS

5,399 (as of October 28, 2007)

STOCK LISTING

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

TRANSFER AGENT

By mail:

Computershare Investor Services LLC
Stockholder Services
P.O. Box 43078
Providence, Rhode Island 02940-3078

Overnight delivery:

Computershare Investor Services LLC
Stockholder Services
250 Royall Street, M/S 1A
Canton, Massachusetts 02021-1011
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CORPORATE WEB SITE

Additional information can be found at
www.appliedmaterials.com

ELECTRONIC PROXY DELIVERY


Applied Materials is pleased to offer you the opportunity to electronically receive future Proxy Statements and Annual Reports on the Internet. We encourage you to take advantage of these convenient on-line services:

- Electronic delivery of the Proxy Statement, Annual Report and related materials
- On-line proxy voting

Electing to receive these materials on-line saves in two important ways. It conserves natural resources and allows us to trim operational costs associated with printing and mailing.

To enroll in the on-line program, go to the Investors Section of the Applied Materials Web site, www.appliedmaterials.com. Click on "Annual Report and Proxy" in the left column, then request electronic delivery of proxy materials. Follow the directions provided to complete your enrollment. This will remain in effect as long as your account remains active or until you cancel your enrollment.

This report contains forward-looking statements, including those relating to Applied Materials' technology leadership, performance, strategic position, investment value, operational efficiencies, growth opportunities and environmental initiatives; industry outlooks; and all other statements that are not historical facts. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to: the sustainability of demand in the nanomanufacturing technology industry and broadening of demand for emerging applications such as solar, which are subject to many factors, including global economic conditions, business and consumer spending, and demand for electronic products and integrated circuits; customers' capacity requirements; the timing, rate, amount and sustainability of capital spending for nanomanufacturing technology products; Applied's ability to (i) develop, deliver and support a broad range of products and expand its markets and develop new markets, (ii) timely align its cost structure with business conditions, (iii) manage its resources and production capability, (iv) accurately predict the characteristics of, and capitalize on opportunities in, emerging markets, and (v) attract and retain key employees; difficulties in production planning and execution in new businesses such as solar; government policies to promote alternative energy; the effectiveness of initiatives to enhance global operations and efficiencies; the performance of acquired businesses; and other risks described in Applied's SEC filings. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof, and Applied undertakes no obligation to update any such statements.



NEW LEAF PAPER®





ENVIRONMENTAL BENEFITS STATEMENT
of using post-consumer waste fiber vs. virgin fiber

Applied Materials saved the following resources by using New Leaf Reincarnation Matte, made with 100% recycled fiber and 50% post-consumer waste, and New Leaf Frontier 100 (FSC), made with 100% post-consumer waste. Both papers are processed chlorine free and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.

trees	water	energy	solid waste	greenhouse gases
1,800 fully grown	713,973 gallons	1,229 million Btu	86,134 pounds	165,989 pounds

Calculations based on research by Environmental Defense and other members of the Paper Task Force.

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