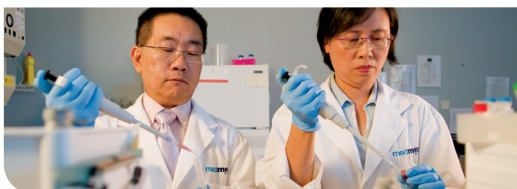


We apply nanomanufacturing technology  
to improve the way people live



Presented by Applied Materials, The Tech Awards recognizes and rewards global innovators who use technology to benefit humanity





Presented by Applied Materials, The Tech Awards is one of the world's premier annual humanitarian awards programs. The Tech Awards recognizes the best of those who have developed innovative technology solutions to address the most critical issues facing our planet and its people.

Since the program's inception in 2000, Applied Materials and The Tech Museum have recognized the amazing work of The Tech Awards Laureates with the goal of spreading their ideas globally. The Tech Awards honors 25 global innovators in five categories: Economic

Development, Education, Environment, Equality and Health. Candidates are nominated and invited to submit applications, then one Laureate in each of the five categories is honored with one Laureate per category receiving a cash prize. The Laureates are also inducted into The Tech Awards Network which provides resources to further the scope and impact of their projects by creating opportunities for learning and networking.

*Nominations for The Tech Awards 2009 will be accepted through March 27, 2009. To nominate a candidate or learn more, see: [www.appliedmaterials.com/about/tech\\_initiative.html](http://www.appliedmaterials.com/about/tech_initiative.html)*



## James C. Morgan Global Humanitarian Award

*A program of The Tech Awards, presented by Applied Materials*

*"Technology is making more changes in our way of life than ever in human history."*

*Dr. Muhammad Yunus*

Named in honor of Applied Materials' Chairman, the James C. Morgan Global Humanitarian Award is inspired by Jim's belief that technology can help individuals reach their full potential and translate their dreams into real solutions for a better world.

The award honors extraordinary individuals whose broad vision and leadership on a global scale are helping society find solutions to some of humanity's greatest challenges—as exemplified by this year's recipient, Dr. Muhammad Yunus.

Recipient of the 2006 Nobel Peace Prize, Dr. Muhammad Yunus is a pioneer of microcredit and the founder of Grameen Bank. Often referred to as "the world's banker to the poor," Dr. Yunus developed a benchmark microcredit application that allows the rural poor access to micro-loans for entrepreneurial enterprises.

In addition to his belief in microcredit, Dr. Yunus is committed to using technology to improve the world. He has launched numerous companies to bring technology to the poor, from cell phones to solar power.

# Financial Highlights

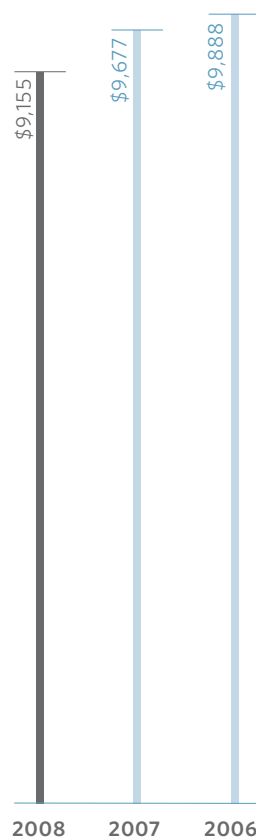
## Fiscal Year Ended

(in thousands, except percentages and per share amounts)

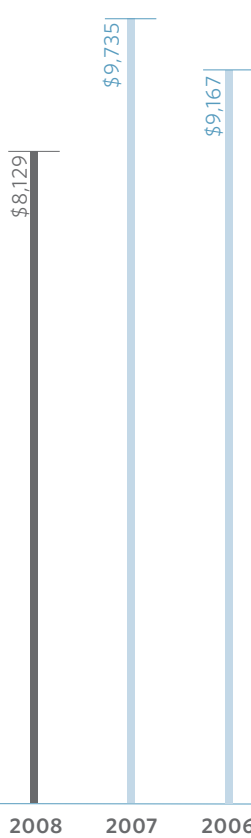
	2008	2007	2006
Net sales	\$ 8,129,240	\$ 9,734,856	\$ 9,167,014
Net income	\$ 960,746	\$ 1,710,196	\$ 1,516,663
Net income per diluted share	0.70	\$ 1.20	\$ 0.97
Weighted average common shares	1,374,507	1,427,002	1,565,072
Stockholders' equity	\$ 7,548,958	\$ 7,821,409	\$ 6,651,400
Return on equity*	12.5%	23.6%	19.5%
Order backlog	\$ 4,847,598	\$ 3,654,704	\$ 3,398,280

\*Based on net income

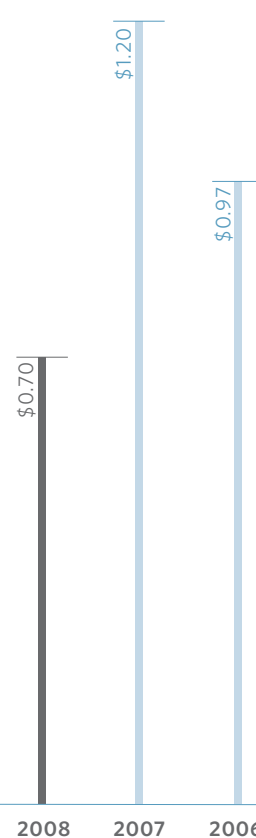
## New Orders (in millions)



## Net Sales (in millions)



## Earnings Per Share





# To Our Stockholders

As we write this letter, unprecedented turmoil in the financial markets is leading to a weakening world economy that is significantly impacting Applied Materials' business. The current economic uncertainty and negative trends in consumer spending have led many of our customers to reassess their capital spending plans, and we are seeing a pattern of multiple downward revisions as the severity of the economic situation unfolds.

Applied Materials is taking action, based on our view that this may be an extended downturn—lasting a year or longer.

- First, we are focused on executing our strategies while improving efficiency and reducing spending.
- Second, we are investing aggressively in the technology, products and customer relationships essential to emerge in a stronger market position.
- Third, we will be disciplined, selective and patient in pursuing strategic acquisition opportunities.
- Fourth, we have a strong balance sheet, and we will remain focused on operational cash flow and asset management to preserve our ability to support strategic business priorities and to be successful through the economic downturn.

Fiscal 2008 was a year of execution for Applied Materials. We focused on optimizing our performance as the leader in each of our major markets with innovative equipment and service and software products for the fabrication of semiconductor chips, flat panel displays, solar photovoltaic cells and modules, flexible electronics and energy-efficient glass.

As the leader in semiconductor manufacturing equipment, our Silicon Systems Group delivers cost-effective technologies through our broad product portfolio and unique integration expertise. This year, an expected decrease in investment by memory chip manufacturers—a key market for our products—was accompanied by a rapid and far-reaching downturn in the broader semiconductor equipment industry, affecting the

performance of our Silicon Systems Group. We made gains in the important technology area of inspection and positioned our etch products for volume production wins at the next technology node. At the same time, our efficiency in both R&D and operations dramatically improved, enabling solid financial performance.

Applied Global Services realized gains through 2008, especially in Asia and with our solar customers. We expect this momentum for service to continue as customers move to an outsourcing model and look for ways to maximize factory efficiency.

Our Display business experienced terrific growth in 2008 supported by record orders during the first half of the year. While maintaining our leadership in two key technologies for flat panel display manufacturing, our Display group also recognized its first revenue from an exciting new physical vapor deposition product, opening up a large new market. Even though softening consumer demand has caused many of our customers to idle factory capacity and to delay expansions, strategic investment for the next generation of display technology—Gen 10—is still moving forward.

Energy and Environmental Solutions made remarkable progress in 2008, fueled primarily by the solar ramp. Our push into equipment and technology to produce both crystalline silicon and thin film solar panels resulted in a dramatic increase in crystalline silicon business and an important milestone in thin film solar—the first customer sign-off of an Applied SunFab™ Line for producing large-sized, thin film solar modules. We are confident that we can continue to lower the cost of solar energy through the scale and effectiveness of our solar manufacturing products, and over time make solar a meaningful part of the world's energy supply.

Applied Materials' strategy is built on the foundation of our achievements over the past 40 years—our innovation and commercialization of technology that enables our customers' success. Key to what has made us a leader in the industries that we serve is three lasting core competencies:



- First is an expertise in commercializing sophisticated systems. We produce complex, technically sophisticated manufacturing systems for high-volume production—as well as the service products customers need to optimize their high-performance factories.
- Second is thin films engineering—the heart of all advanced electronics. Measured in billionths of a meter, these “nano” films are deposited, etched, measured and transformed by Applied Materials’ technologies and products.
- Third is a global corporate culture that is an integral part of our company and makes it possible for us to attract the talent essential for success and to develop and enhance our relationships with customers all over the world.

Despite the current global economic and industry challenges, this is an exciting time for Applied. We are doing something that few companies dare to do: we are building on the strengths that made us a leader and applying them to develop a leadership position in a new industry—solar. We are innovating the technology and solutions needed for renewable energy generation and energy conservation, with the goal of unlocking the potential of the solar industry. Although these are difficult times, we will maintain our fundamental commitment and drive to produce stockholder value and to hold ourselves accountable to the highest standards of business practices and corporate citizenship.

As we look to the future, we have confidence in Applied Materials’ opportunities and capabilities as a multi-business company with tremendous depth and breadth of global technical talent. We appreciate the support of our stockholders, customers, employees and all stakeholders who contribute to our success. None of us can predict the changes that the global economy will produce, but we are taking steps to assure that Applied Materials is well resourced, focused on technology leadership, structured appropriately, operating efficiently, and executing our strategic priorities. Through this period of transformation, Applied will remain focused on a renewed mission to lead the nanomanufacturing technology revolution with innovations that transform markets, create opportunities and offer a cleaner, brighter future to people around the world.

Michael R. Splinter  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

James C. Morgan  
CHAIRMAN OF THE  
BOARD OF DIRECTORS

December 12, 2008

# Stockholders' Information

## Independent Registered Public Accounting Firm

KPMG LLP  
Mountain View, California

## Number of Registered Stockholders

5,040 (as of October 26, 2008)

## 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  
*Tel:* (312) 360-5186 or (877) 388-5186  
*Fax:* (312) 601-4348  
*E-mail:* [web.queries@computershare.com](mailto:web.queries@computershare.com)

## Investor Contact

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Santa Clara, California 95054-3298

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## Corporate Web Site

Additional information can be found at  
[www.appliedmaterials.com](http://www.appliedmaterials.com)

This report contains forward-looking statements, which are all statements other than those of historical fact, including those relating to Applied Materials' performance, strategies, products, competitive positions, operational efficiencies, solar cost objectives, core competencies and opportunities; customer spending; and the economic and industry outlooks. These statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to: the level of demand for nanomanufacturing technology products, which is subject to many factors, including uncertain global economic and market conditions, business and consumer spending, demand for electronic products and semiconductors, and governmental renewable energy policies and incentives; adverse conditions in the global banking system and financial markets; customers' utilization rates, capacity requirements, and ability to acquire sufficient capital,

obtain regulatory approvals and/or fulfill infrastructure requirements; variability of operating results among the company's segments caused by differing conditions in the served markets; the successful performance of acquired businesses; Applied's ability to (i) develop, deliver and support a broad range of products, expand its markets and develop new markets, (ii) timely align its cost structure with business conditions, (iii) plan and manage its resources and production capability, (iv) implement initiatives that enhance global operations and efficiencies, (v) obtain and protect intellectual property rights in key technologies, and (vi) attract, motivate and retain key employees; and other risks described in Applied Materials' SEC filings, including its Form 10-K. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof, and Applied undertakes no obligation to update any forward-looking statements.



[WWW.APPLIEDMATERIALS.COM](http://WWW.APPLIEDMATERIALS.COM)

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