
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2007

Applied Materials, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-06920
(Commission File Number)

94-1655526
(IRS Employer Identification No.)

3050 Bowers Avenue
P.O. Box 58039
Santa Clara, CA
(Address of principal executive
offices)

95052-8039
(Zip Code)

Registrant's telephone number, including area code: (408) 727-5555

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On August 14, 2007, Applied Materials, Inc. (“Applied Materials”) announced its financial results for its third fiscal quarter ended July 29, 2007. A copy of Applied Materials’ press release is attached hereto as Exhibit 99.1.

The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of Applied Materials, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing. The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release issued by Applied Materials, Inc. dated August 14, 2007. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Applied Materials, Inc.
(Registrant)

Date: August 14, 2007

By: /s/ Joseph J. Sweeney
Joseph J. Sweeney
*Senior Vice President, General Counsel
and Corporate Secretary*

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release issued by Applied Materials, Inc. dated August 14, 2007. |

Release: Immediate

Contact: Randy Bane (investment community)
(408) 986-7977

David Miller (editorial/media)
(408) 563-9582

**APPLIED MATERIALS ANNOUNCES RESULTS
FOR THIRD QUARTER OF FISCAL 2007**

- **New Orders: \$2.28 billion** (14% decrease year over year; 14% decrease quarter over quarter)
- **Net Sales: \$2.56 billion** (1% increase year over year; 1% increase quarter over quarter)
- **Net Income: \$474 million** (8% decrease year over year; 15% increase quarter over quarter)
- **EPS: \$0.34** (\$0.01 increase year over year; \$0.05 increase quarter over quarter)

SANTA CLARA, Calif., August 14, 2007 — Applied Materials, Inc. reported results for its third fiscal quarter ended July 29, 2007. Net sales were \$2.56 billion, slightly up from \$2.54 billion for the third quarter of fiscal 2006, and up from \$2.53 billion for the second quarter of fiscal 2007. Gross margin for the third quarter of fiscal 2007 was 47.5 percent, down from 48.1 percent for the third quarter of fiscal 2006, and up from 44.9 percent for the second quarter of fiscal 2007. Net income for the third quarter of fiscal 2007 was \$474 million, or \$0.34 per share, compared to net income of \$512 million, or \$0.33 per share, for the third quarter of fiscal 2006, and compared to net income of \$411 million, or \$0.29 per share, for the second quarter of fiscal 2007.

Non-GAAP net income for the third quarter of fiscal 2007 was \$518 million, or \$0.37 per share, compared to non-GAAP net income of \$543 million, or \$0.35 per share, for the third quarter of fiscal 2006. Non-GAAP net income for the second quarter of fiscal 2007 was \$509 million, or \$0.36 per share. Non-GAAP adjustments are explained below and further detailed in the accompanying Reconciliation of GAAP to Non-GAAP Results.

“Applied Materials delivered on our targets for revenue and profitability this quarter,” said Mike Splinter, president and CEO. “The consolidation of our semiconductor equipment divisions into a single Silicon Systems Group will streamline the company to drive better results to the bottom line.

“Memory demand drove opportunities for the semiconductor equipment industry and Applied. Conditions in the display industry remained challenging, as customers work to fully utilize existing capacity. We added three contracts for integrated thin film solar production lines to those announced this year, reflecting the expanding market for this technology.”

New orders of \$2.28 billion for the third quarter of fiscal 2007 decreased 14 percent from \$2.67 billion for the third quarter of fiscal 2006, and decreased 14 percent from \$2.65 billion for the second quarter of fiscal 2007. Regional distribution of new orders for the third quarter of fiscal 2007 was: Taiwan 31 percent, Japan 20 percent, Korea 19 percent, North America 12 percent, Europe 9 percent and Southeast Asia and China 9 percent. Backlog at the end of the third quarter of fiscal 2007 was \$3.43 billion, compared to \$3.67 billion at the end of the second quarter of fiscal 2007.

Results by reportable segment for the third quarter of fiscal 2007 were:

| <i>(In millions)</i> | <u>New Orders</u> | <u>Net Sales</u> | <u>Operating Income (loss)</u> |
|-----------------------|-------------------|------------------|------------------------------------|
| Silicon | \$ 1,614 | \$ 1,772 | \$ 702 |
| Fab Solutions | \$ 527 | \$ 554 | \$ 137 |
| Display | \$ 90 | \$ 206 | \$ 52 |
| Adjacent Technologies | \$ 53 | \$ 29 | \$ (29) |

Non-GAAP net income and non-GAAP EPS, detailed in the accompanying Reconciliation of GAAP to Non-GAAP Results, exclude charges related to (i) equity-based compensation, (ii) asset impairment and restructuring activities, (iii) ceasing development of beamline implant products, (iv) certain items associated with acquisitions, including amortization of intangibles, inventory fair value adjustments on products sold and in-process research and development charges, and (v) the resolution of income tax audits and retroactive reinstatement of tax credits. Management uses non-GAAP net income and non-GAAP EPS to evaluate the company's operating and financial performance in light of business objectives and for planning purposes. These measures are not in accordance with Generally Accepted Accounting Principles (GAAP) and may differ from non-GAAP methods of accounting and reporting used by other companies. Applied believes that these measures enhance investors' ability to review the company's business from the same perspective as the company's management and facilitate comparisons of this period's results with prior periods. The presentation of this additional information should not be considered a substitute for net income or EPS prepared in accordance with GAAP.

Applied Materials will discuss its fiscal 2007 third quarter results, along with its outlook for the fourth quarter of fiscal 2007, on a conference call today beginning at 1:30 p.m. Pacific Daylight Time. A webcast of the conference call will be available on Applied Materials' web site.

This press release contains forward-looking statements, including statements regarding the company's performance, growth opportunities, operational efficiencies, solar business and technology leadership, and display industry conditions. Forward-looking statements may contain words such as "expect," "anticipate," "believe," "may," "should," "will," "estimate," "forecast," "continue" or similar expressions, and include the assumptions that underlie such statements. 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, demand for electronic products and semiconductors, and geopolitical uncertainties; customers' capacity requirements, including capacity utilizing the latest technology, and fab utilization; the timing, rate, amount and sustainability of capital spending for nanomanufacturing technology products; variability of operating results among the company's reporting segments caused by differing conditions in the served markets; the company's ability to (i) successfully develop, deliver and support a broad range of products and expand its markets and develop new markets, (ii) maintain effective cost controls and timely align its cost structure with business conditions, (iii) effectively manage its resources and production capability, including its supply chain, and (iv) attract, motivate and retain key employees; difficulties in production planning and execution in new businesses such as solar; the successful implementation and effectiveness of initiatives to enhance global operations and efficiencies; the successful performance of acquired businesses and joint ventures; and other risks described in Applied Materials' SEC filings, including its reports on Forms 10-K, 10-Q and 8-K. All forward-looking

statements are based on management's estimates, projections and assumptions as of the date hereof. The company undertakes no obligation to update any forward-looking statements.

Applied Materials, Inc. (Nasdaq:AMAT) is the global leader in Nanomanufacturing Technology™ solutions with a broad portfolio of innovative equipment, services and software products for the fabrication of semiconductor chips, flat panel displays, solar photovoltaic cells, flexible electronics and energy-efficient glass. At Applied Materials, we apply Nanomanufacturing Technology to improve the way people live. Learn more at www.appliedmaterials.com.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

| <i>(In thousands, except per share amounts)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|------------------|
| | July 30, 2006 | July 29, 2007 | July 30, 2006 | July 29, 2007 |
| Net sales | \$ 2,543,443 | \$ 2,560,984 | \$ 6,648,721 | \$ 7,367,812 |
| Cost of products sold | 1,320,089 | 1,344,594 | 3,543,043 | 3,952,274 |
| Gross margin | 1,223,354 | 1,216,390 | 3,105,678 | 3,415,538 |
| Operating expenses: | | | | |
| Research, development and engineering | 304,326 | 292,584 | 853,086 | 871,195 |
| Marketing and selling | 123,810 | 115,969 | 322,289 | 334,988 |
| General and administrative | 117,083 | 134,359 | 333,889 | 375,561 |
| Restructuring and asset impairments | (2,646) | 1,616 | 210,623 | 23,382 |
| Income from operations | 680,781 | 671,862 | 1,385,791 | 1,810,412 |
| Pre-tax loss of equity method investment | — | 7,348 | — | 17,209 |
| Interest expense | 8,848 | 10,075 | 26,788 | 29,388 |
| Interest income | 50,578 | 32,468 | 147,899 | 96,593 |
| Income before income taxes | 722,511 | 686,907 | 1,506,902 | 1,860,408 |
| Provision for income taxes | 210,471 | 213,392 | 439,268 | 571,973 |
| Net income | \$ 512,040 | \$ 473,515 | \$ 1,067,634 | \$ 1,288,435 |
| Earnings per share: | | | | |
| Basic | \$ 0.33 | \$ 0.34 | \$ 0.68 | \$ 0.92 |
| Diluted | \$ 0.33 | \$ 0.34 | \$ 0.67 | \$ 0.91 |
| Weighted average number of shares: | | | | |
| Basic | 1,550,744 | 1,385,519 | 1,571,534 | 1,397,890 |
| Diluted | 1,562,615 | 1,407,264 | 1,586,878 | 1,415,720 |

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

| <i>(In thousands)</i> | October 29, 2006 | July 29, 2007 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 861,463 | \$ 1,112,675 |
| Short-term investments | 1,035,875 | 1,295,261 |
| Accounts receivable, net | 2,026,199 | 2,240,290 |
| Inventories | 1,406,777 | 1,361,875 |
| Deferred income taxes | 455,473 | 481,019 |
| Assets held for sale | 37,211 | 17,370 |
| Other current assets | 258,021 | 302,945 |
| Total current assets | <u>6,081,019</u> | <u>6,811,435</u> |
| Long-term investments | 1,314,861 | 1,349,211 |
| Property, plant and equipment | 2,753,883 | 2,782,510 |
| Less: accumulated depreciation and amortization | <u>(1,729,589)</u> | <u>(1,736,039)</u> |
| Net property, plant and equipment | 1,024,294 | 1,046,471 |
| Goodwill, net | 572,558 | 652,900 |
| Purchased technology and other intangible assets, net | 201,066 | 221,977 |
| Equity method investment | 144,431 | 127,223 |
| Deferred income taxes and other assets | 142,608 | 156,166 |
| Total assets | <u>\$ 9,480,837</u> | <u>\$ 10,365,383</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 202,535 | \$ 202,528 |
| Accounts payable and accrued expenses | 2,023,651 | 2,203,223 |
| Income taxes payable | 209,859 | 143,012 |
| Total current liabilities | <u>2,436,045</u> | <u>2,548,763</u> |
| Long-term debt | 204,708 | 204,354 |
| Other liabilities | 188,684 | 224,129 |
| Total liabilities | <u>2,829,437</u> | <u>2,977,246</u> |
| Stockholders' equity: | | |
| Common stock | 13,917 | 13,781 |
| Additional paid-in capital | 3,678,202 | 4,212,748 |
| Retained earnings | 9,472,303 | 10,525,120 |
| Treasury stock | (6,494,012) | (7,375,271) |
| Accumulated other comprehensive income (loss) | (19,010) | 11,759 |
| Total stockholders' equity | <u>6,651,400</u> | <u>7,388,137</u> |
| Total liabilities and stockholders' equity | <u>\$ 9,480,837</u> | <u>\$ 10,365,383</u> |

APPLIED MATERIALS, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS

| (In thousands, except per share amounts) | Three Months Ended | | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|---------------------|---------------------|
| | July 30, 2006 | April 29, 2007 | July 29, 2007 | July 30, 2006 | July 29, 2007 |
| Non-GAAP Net Income | | | | | |
| Reported net income (GAAP basis) | \$ 512,040 | \$ 411,444 | \$ 473,515 | \$ 1,067,634 | \$ 1,288,435 |
| Equity-based compensation expense | 53,684 | 47,922 | 47,485 | 160,716 | 130,307 |
| Restructuring and asset impairments ^{1, 2} | (2,646) | 25,044 | 1,616 | 210,623 | 23,382 |
| Costs associated with ceasing development of beamline implant products ³ | — | 50,299 | 6,373 | — | 56,672 |
| Certain items associated with acquisitions ⁴ | 19,502 | 23,725 | 18,911 | 30,701 | 56,016 |
| Resolution of audits of prior years' income tax filings and credits ⁵ | (33,915) | — | (6,379) | (33,915) | (36,242) |
| Income tax effect of non-GAAP adjustments | (5,869) | (49,239) | (23,137) | (120,444) | (85,810) |
| Non-GAAP net income | \$ 542,796 | \$ 509,195 | \$ 518,384 | \$ 1,315,315 | \$ 1,432,760 |
| Non-GAAP Net Income Per Diluted Share | | | | | |
| Reported net income per diluted share (GAAP basis) | \$ 0.33 | \$ 0.29 | \$ 0.34 | \$ 0.67 | \$ 0.91 |
| Equity-based compensation expense | 0.03 | 0.02 | 0.02 | 0.08 | 0.07 |
| Restructuring and asset impairments | — | 0.01 | — | 0.08 | 0.01 |
| Costs associated with ceasing development of beamline implant products | — | 0.02 | — | — | 0.03 |
| Certain items associated with acquisitions | 0.01 | 0.01 | 0.01 | 0.02 | 0.03 |
| Resolution of audits of prior years' income tax filings and credits | (0.02) | — | — | (0.02) | (0.03) |
| Non-GAAP net income – per diluted share | \$ 0.35 | \$ 0.36 | \$ 0.37 | \$ 0.83 | \$ 1.01 |
| Shares used in diluted shares calculation | 1,562,615 | 1,407,255 | 1,407,264 | 1,586,878 | 1,415,720 |

¹ Results for the nine months ended July 30, 2006 included asset impairment and restructuring charges of \$211 million associated primarily with the facilities divestment program commenced in the first quarter of fiscal 2006. Results for the nine months ended July 29, 2007 included a slight benefit from the sale of properties in Chunan, Korea and Hillsboro, Oregon.

² Results for the three and nine months ended July 29, 2007 included restructuring and asset impairment charges of \$2 million and \$27 million, respectively, associated with ceasing development of beamline implant products.

³ Results for the three and nine months ended July 29, 2007 included other operating charges of \$6 million and \$57 million, respectively, associated with ceasing development of beamline implant products.

⁴ Incremental charges attributable to acquisitions consisted of inventory fair value adjustments on products sold and amortization of purchased intangible assets. Results for the nine months ended July 29, 2007 included an in-process research and development charge of \$5 million associated with the acquisition of the software division of Brooks Automation, Inc. in the second fiscal quarter of 2007. Results for the three and nine months ended July 30, 2006 included an in-process research and development charge of \$14 million associated with the acquisition of Applied Films Corporation in the third quarter of fiscal 2006.

⁵ Results for the nine months ended July 29, 2007 consisted of a \$36 million benefit from the resolution of audits of prior years' income tax filings. Results for the nine months ended July 30, 2006 included a \$34 million benefit from the resolution of 2005 income tax filings.