APPLIED MATERIALS INC /DE
Form 11-K
June 26, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 000-6920

Applied Materials, Inc. Employee Savings and Retirement Plan
(Full title of the plan)

APPLIED MATERIALS, INC.
3050 Bowers Avenue, P.O. Box 58039
Santa Clara, California 95052-8039
(Name of issuer of the securities held pursuant to the plan and the address of the issuer s and plan s principal executive office)

APPLIED MATERIALS, INC.
EMPLOYEE SAVINGS AND RETIREMENT PLAN
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrative Committee of the
Applied Materials, Inc. Employee Savings and Retirement Plan:

We have audited the financial statements of the Applied Materials, Inc. Employee Savings and Retirement Plan (the Plan) as of December 31, 2008 and 2007, and for the years then ended and the supplemental schedule of assets (held at end of year) as of December 31, 2008. These financial statements and supplemental schedule are the responsibility of the Plan s administrator. Our responsibility is to express an opinion on these financial statements and supplemental schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Plan s administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. The supplemental schedule is the responsibility of the Plan s administrator. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ ARMANINO McKENNA LLP

ARMANINO McKENNA LLP
San Ramon, California
June 26, 2009

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APPLIED MATERIALS, INC.
EMPLOYEE SAVINGS AND RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2008	**December 31, 2007**
ASSETS		
Investments, at fair value	$ 880,394,862	$ 1,332,156,430
Participant loans	13,258,849	12,294,757
Assets held for investment purposes	893,653,711	1,344,451,187
Employer contribution receivable	1,662,246	1,444,111
Total assets	895,315,957	1,345,895,298
LIABILITIES		
Expenses payable	(295,087)	(82,050)
Total liabilities	(295,087)	(82,050)
Net assets available for benefits, at fair value	895,020,870	1,345,813,248
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	7,352,033	(677,628)
Net assets available for benefits	$ 902,372,903	$ 1,345,135,620

See Accompanying Notes to Financial Statements.

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APPLIED MATERIALS, INC.
EMPLOYEE SAVINGS AND RETIREMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Years ended December 31, 2008	2007
Additions to net assets attributed to:		
Investment income:		
Dividends and interest	$ 30,725,920	$ 67,788,343
Net realized and unrealized depreciation in fair value of investments	(475,884,280)	(5,479,587)
Total investment income (loss)	(445,158,360)	62,308,756
Contributions:		
Participant	66,464,600	70,889,708
Employer	28,056,963	26,672,215
Total contributions	94,521,563	97,561,923
Transfers in from outside plans		8,918,933
Deductions from net assets attributed to withdrawals and distributions	(92,125,920)	(128,132,565)
Net increase (decrease) in net assets available for benefits	(442,762,717)	40,657,047
Net assets available for benefits:		
Beginning of year	1,345,135,620	1,304,478,573
End of year	$ 902,372,903	$ 1,345,135,620

See Accompanying Notes to Financial Statements.

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APPLIED MATERIALS, INC.
EMPLOYEE SAVINGS AND RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

Note 1 Significant accounting policies

General

The following description of the Applied Materials, Inc. (Applied) Employee Savings and Retirement Plan (the Plan) provides only general information. Participants seeking more detailed information about the Plan should refer to the Plan document and the Summary Plan Description/Prospectus for the Plan.

The Plan is a defined contribution plan that Applied established in 1981 to provide benefits to eligible employees, as provided in the Plan document. The Plan covers all eligible United States and expatriate employees of Applied and its participating affiliates. Eligible employees may enroll in the Plan after receipt of their first paycheck. The Plan is intended to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the Code) and the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Plan administration

Under ERISA, Applied is the designated administrator of the Plan. An administrative committee (the 401(k) Committee) manages the day-to-day operations and administration of the Plan on behalf of Applied. The 401(k) Committee members consist of certain Applied employees who do not report directly to Applied s Chief Executive Officer, as specified in the Plan. Applied has contracted with Fidelity Institutional Retirement Services Company (Fidelity) to maintain the Plan s individual participant accounts and provide certain other record-keeping and administrative services, and with Fidelity Management Trust Company (Fidelity Trust) to act as the Plan s custodian and trustee. Applied currently pays a portion of the expenses incurred in the administration of the Plan. Other expenses associated with the administration of the Plan are charged against the Plan and paid from Plan assets. Loan fees are paid by Plan participants who elect to receive a Plan loan. Withdrawal fees are paid by Plan participants who elect to receive certain types of withdrawals.

Brokerage commission fees associated with transactions in the Applied Materials, Inc. Common Stock Fund under the Plan (the Stock Fund) are paid by Plan participants who transact in the Stock Fund. Total administrative expenses, comprised primarily of brokerage commission and participant loan fees, paid directly from Plan assets amounted to $468,714 and $419,610 in 2008 and 2007, respectively. These fees are insignificant to these financial statements, and are therefore reported as withdrawals. Other brokerage commissions and other charges incurred in connection with investment transactions under the Plan are paid from Plan assets and are included as a reduction in investment income.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of accounting

The financial statements of the Plan are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Participant contributions and Applied matching contributions are recorded in the period during which Applied withholds payroll deductions from participants earnings. Benefits are recorded when paid.

Plan year

The Plan year is the twelve-consecutive month period beginning each January 1 and ending December 31.

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Investments

Plan assets are held in trust by Fidelity Trust and are invested in the investment options available under the Plan based solely upon instructions received from Plan participants or as provided in the Plan document. Except as described below, the Plan s investments are reported at fair value, as measured by quoted market prices, as of the last business day of the Plan year. Purchases and sales of securities are recorded on a trade-date basis and dividends are recorded on the ex-dividend date. Participant loans are valued at cost, which approximates fair value. See Note 2 for further information regarding fair value measurements.

The Standish Mellon Stable Value Fund (the Stable Value Fund) is a separate account managed solely for Plan participants who invest in the fund. The Stable Value Fund primarily holds investments in synthetic guaranteed investment contracts (GICs). The investments in synthetic GICs are presented at fair value.

In determining the net assets available for benefits, synthetic GICs are recorded at their contract values, which are equal to principal balance plus accrued interest. An investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are currently no reserves against contract values for credit risk of the contract issuers.

Certain employer initiated events (e.g., layoffs, bankruptcy, plant closings, plan termination, mergers, early retirement incentives, employer communications designed to induce participants to transfer from the Stable Value Fund, competing fund transfer or violation of equity wash or equivalent rules in place and changes of qualification status of the employer or the Plan) are not eligible for book value disbursements even from fully benefit-responsive contracts. These events may cause liquidation of all or a portion of a synthetic GIC at a market value adjustment. If the likelihood of such a non-book value withdrawal event is imminent, it may be necessary to consider revaluation of those particular synthetic GICs. In general, synthetic GIC issuers may terminate the contract and settle at other than contract value if the qualification status of the employer or the Plan changes, or there is a breach of material obligations under the contract or misrepresentation of the contract holder, or failure of the underlying portfolio to conform to the pre-established investment guidelines.

The Stable Value Fund held fixed maturity, variable and constant duration synthetic GICs at December 31, 2008 and 2007. Generally, fixed maturity synthetic GICs consist of an asset or collection of assets that are owned by the Plan and a benefit-responsive, book value wrap contract. The wrap contract provides book value accounting for the asset and assures that book value, benefit-responsive payments will be made for participant-directed withdrawals. The credit rating for the wrap contract is set at the beginning of the wrap contract period and typically resets every quarter. Generally, fixed maturity synthetic GICs are held to maturity. The initial credit rating is established based on market interest rates at the time the initial asset is purchased. Fair values of fixed maturity synthetic GICs are calculated using the sum of all assets market values provided by a third party vendor engaged by the Stable Value Fund manager.

Variable synthetic GICs consist of an asset or collection of assets that are managed by a bank or insurance company and are held in a bankruptcy-remote vehicle for the benefit of the Plan. The contract is benefit-responsive and provides next-day liquidity at book value. The credit rating resets quarterly based on current market index rates and an investment spread. The investment spread is established at the time of issuance and is guaranteed by the issuer for the life of the contract. Fair values for variable synthetic GICs are calculated using the present value of the contract s future cash flow values discounted by comparable swap rates.

Constant duration synthetic GICs consist of a portfolio of securities owned by the Plan and a benefit-responsive, book value wrap contract. The wrap contract amortizes gains and losses of the underlying securities over the contract duration, and assures that book value, benefit-responsive payments are made for participant-directed withdrawals. The credit rating on a constant duration synthetic GIC resets every quarter based on the book value of the contract and the market value of the underlying securities over the duration of the contract and therefore will be affected by movements in interest rates and changes in the market value of the underlying securities. The initial credit rating is established based on market interest rates at the time the underlying portfolio of securities is put together. Fair values for constant duration synthetic GICs are calculated using market values provided by external investment managers.

In the absence of an actively traded market, discounted cash flows are used to estimate synthetic GICs fair value.

The Stable Value Fund is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The synthetic GICs issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

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Effective March 2008, the Lord Abbett Small Cap Value Fund Class I was removed as an investment option under the Plan and replaced with the Lord Abbett Small Cap Value Account, a separate account.
Effective January 2, 2008, the Morgan Stanley Institutional Fund, Inc. International Equity Portfolio s Class A shares were renamed Class I shares.
Effective September 28, 2007, the Lord Abbett Small Cap Value Fund s Class Y shares were renamed Class I shares.
Effective July 2007, the default fund under the Plan (the Default Fund) is the T. Rowe Price Personal Strategy Balanced Fund. Before July 2007, the Default Fund was the Stable Value Fund.
Effective June 2007, the Stock Fund was converted into a non-leveraged employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code (an ESOP).

Income taxes

The Plan is intended to qualify for favorable federal and state income tax treatment accorded to plans that qualify under Section 401(a) of the Code, and therefore is intended to be exempt from federal income and state franchise taxes. On April 11, 2008, the Internal Revenue Service issued a favorable determination letter on the Plan, which provides that the terms of the Plan conform with the applicable requirements of Section 401(a) of the Code and that the Plan satisfies the requirements of an ESOP under Section 4975(e)(7) of the Code. The Plan has been amended since receiving the favorable determination letter. However the Plan s administrator believes that the Plan continues to be designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan s financial statements.
The conversion of the Stock Fund into an ESOP, effective June 2007, permits Applied to deduct for federal income tax purposes cash dividends that are paid with respect to the shares of the Applied common stock held in the ESOP.

Risks and uncertainties

The Plan provides participants with various investment options consisting of Applied common stock, mutual funds, separate accounts and a common/collective trust offered by the Plan. These mutual funds, separate accounts and common/collective trust invest in stocks, bonds and other investment securities. Applied common stock and other investment securities are exposed to risks, such as those associated with interest rates, market conditions and credit worthiness of the securities issuers. These risks could materially affect participants account balances and the amounts reported in the financial statements.

Note 2 Fair Value Measurements

Effective January 1, 2008, the Plan adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), with respect to financial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. SFAS 157 framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

Quoted market prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

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Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for fair value measurements of the Plan s investments. There have been no changes in the methodologies used at December 31, 2008 and 2007.

Mutual funds are public investment vehicles, which are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and is based on the value of the underlying net assets owned by the fund divided by the number of shares outstanding.

Applied common stock, corporate bonds and U.S. government securities are valued at the closing price reported on the active market on which the individual securities are traded.

Unitized common stock fund is a separately managed fund, which is valued using the NAV provided by the administrator of the fund. The NAV is a quoted price in an active market and is based on the value of the underlying net assets owned by the fund divided by the number of shares outstanding.

Common/collective trust (CCT) is valued using a discounted cash flow model, which considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying portfolio securities. CCTs are not available in an exchange and active market, however, the fair value is determined based on the underlying investments as traded in an exchange and active market.

The Stable Value Fund primarily holds investments in GICs. GICs are fair valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Participant loans are valued at amortized cost, which approximates fair value.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan administrator believes the valuation methodologies used are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan s assets at estimated fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 403,392,350	$	$	$ 403,392,350
Applied common stock	262,255,652			262,255,652
Unitized common stock		35,057,173		35,057,173
Common/collective trust		36,518,505		36,518,505
Stable Value Fund		143,171,182		143,171,182
Participant loans			13,258,849	13,258,849
Total assets at estimated fair value	$ 665,648,002	$ 214,746,860	$ 13,258,849	$ 893,653,711

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The table below sets forth a summary of changes in the estimated fair value of the Plan s level 3 assets, consisting of participant loans, for the year ended December 31, 2008.

	Level 3
Balance at January 1, 2008	$ 12,294,757
Purchases, sales, issuances and settlements, net	964,092
Balance at December 31, 2008	$ 13,258,849

Note 3 Participation and benefits

Participant contributions

The Plan allows eligible participants to elect to have Applied withhold up to 50 percent of their eligible pre-tax compensation for their contribution to the Plan, subject to a dollar limit established by the Code. The Plan also allows eligible participants who are age 50 or older during the Plan year to make catch-up contributions up to 50 percent of their eligible pre-tax compensation, subject to a dollar limit established by the Code. For participants who elect to contribute a portion of their compensation to the Plan, their taxable compensation is reduced by the amount contributed. Participant salary deferral and/or catch-up contributions are invested in various investment funds available under the Plan in whole-percent increments according to the participants directions.

Participants are also allowed to make rollover contributions of eligible amounts received from other tax-qualified employer-sponsored retirement plans or conduit individual retirement accounts. Such contributions are invested in various investment funds available under the Plan in accordance with the participants directions.

If participants fail to direct the manner in which their salary deferral, catch-up, and/or rollover contributions are to be invested, however, such funds automatically are invested in the Default Fund.

Applied s matching contributions

Participants in the Plan become eligible to receive Applied s matching contributions (if any) immediately upon enrolling in the Plan and electing to make salary deferral contributions to the Plan.

Applied currently matches 100 percent of participant salary deferral contributions up to the first three percent of eligible pre-tax compensation contributed each payroll period and then 50 percent of every dollar between four percent and six percent of eligible pre-tax compensation contributed each payroll period. Applied does not make matching contributions on any catch-up contributions made by participants. Applied may change the matching contribution rate at any time, subject to terms of the Plan.

The Plan allows participants to direct the investment of any matching contribution account balances in any of the available investment funds under the Plan. If participants fail to direct the manner in which their future matching contributions are to be invested, such funds automatically are invested in the Default Fund.

Applied s matching contributions (if any) are made in the form of cash.

Participant accounts

Each participant s account is credited with the participant s contributions, his or her portion of Applied s matching contributions (if any) and any investment earnings or losses thereon.

Payment of benefits

Upon a Plan participant s termination of employment with Applied and all of its affiliates, the participant (or his or her beneficiary) may elect to receive a lump-sum cash distribution of his or her vested account balance. The terminated participant (or beneficiary) may also elect to receive whole shares of Applied common stock for any portion of his or her vested account balance that is invested in the ESOP.

In accordance with applicable law, a distribution of a Plan participant s vested account balance generally must be made or commenced no later than the April 1 immediately following the calendar year in which he or she attains age 70.5 or terminates employment with Applied and all of its affiliates, whichever is later (the required beginning date).

If a terminated participant has not received a distribution of his or her entire vested Plan account balance before the calendar year that immediately precedes the year that includes his or her required beginning date, he or she may elect to have such account balance be paid in annual installments that equal the minimum amounts required to be distributed under the Code.

A participant s beneficiary must receive a distribution of the participant s entire vested account balance no later than the December 31 of the year that includes the fifth anniversary of the date of the participant s death. Effective before January 1, 2008, however, a participant s beneficiary had to receive a distribution of the participant s entire vested account balance within five years of the participant s death.

In accordance with the Plan s rules, a participant may receive an in-service withdrawal from certain portions of his or her vested account balance upon financial hardship (as defined in the Plan) or attainment of age 59.5. A participant who receives a financial hardship withdrawal will be (1) suspended from active participation in the Plan and in Applied s 2005 Executive Deferred Compensation Plan, if eligible, and (2) prohibited from exercising any option for shares of Applied common stock granted under an Applied-sponsored plan or participating in Applied s Employees Stock Purchase Plan, for a period of at least six months following the withdrawal.

Loans to participants

The Plan allows active participants to borrow from their salary deferral and rollover account balances up to the lesser of the following: (1) $50,000, less their highest outstanding loan balance during the past 12 months, (2) 100 percent of their salary deferral and rollover accounts, or (3) 50 percent of their vested account balances (including the vested portion of Applied s matching contributions). Loans are secured by the participants vested balances, bear interest at prime plus one percent at the time of the borrowing and generally must be repaid to the Plan from bi-weekly payroll deductions over the loan term, which will be a minimum of one year and a maximum of five years. Loans are generally payable in full upon a participant s termination of employment from Applied and all of its affiliates, or the occurrence of certain other events. Specific loan terms and conditions are established by the 401(k) Committee. Outstanding loans at December 31, 2008 carry interest rates ranging from 4.75 percent to 11 percent maturing through 2018.

Vesting

Participants are immediately vested in their salary deferral, catch-up and/or any rollover contributions, and any related earnings thereon.

Participants who have two years of credited service as defined by the Plan will vest 20 percent each year in Applied s matching contributions (if any) allocated to their accounts, and will become fully vested after six years of credited service. Effective January 1, 2010, the vesting of Applied s matching contribution will be changed, see Note 10.

Participants who are employed by Applied or its affiliates become fully vested upon death, disability (as defined by the Plan) or attainment of normal retirement age under the Plan (age 65). Affected participants also become fully vested upon any termination of the Plan. As required by the Code, former employees of certain acquired companies have different vesting schedules according to the original vesting schedules under their former employer s plan. If a participant terminates his or her employment with Applied and its affiliates prior to becoming fully vested, the unvested portion of his or her matching contribution balance generally will be forfeited. Forfeitures can be used to offset Applied s matching contributions, reinstate any previously forfeited matching contribution balances, and reinstate any closed account balances under the Plan. Forfeitures used to offset Applied s matching contributions in 2008 and 2007 were $991,413 and $2,768,382, respectively.

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Note 4 Party-in-interest and related party transactions

As allowed by the Plan, participants may elect to invest their Plan account balances in the Stock Fund. The Stock Fund invests solely in shares of Applied common stock. Aggregate investment in Applied common stock at December 31, 2008 and 2007 was as follows:

	Number of shares	Fair value
2008	25,863,570	$262,255,652
2007	24,201,064	$429,900,385

Certain Plan investments are managed by Fidelity Trust, the custodian and trustee of the Plan, or its affiliates. Any purchases and sales of these funds are performed in the open market. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

Note 5 Investments

The following table presents the fair values of investments and investment funds that represent five percent or more of the Plan s net assets at December 31, 2008 and 2007:

	2008	2007
Applied Materials, Inc. Common Stock Fund	$ 262,255,652	$ 429,900,385
Standish Mellon Stable Value Fund	143,171,182	120,553,297
Fidelity Contrafund	86,240,969	136,154,480
Morgan Stanley Institutional Fund, Inc. International Equity Portfolio Class I*	71,171,203	116,429,546
T. Rowe Price Growth Stock Fund	51,734,790	93,958,475
Vanguard Mid-Cap Index Fund Institutional Class	45,622,158	87,339,116
Fidelity Equity-Income Fund	40,174,457	78,667,204
Other funds individually representing less than 5% of net assets (including participant loans)	193,283,300	281,448,684
Assets held for investment purposes	$ 893,653,711	$ 1,344,451,187

* Before January 2, 2008, the Morgan Stanley Institutional Fund, Inc. International Equity Portfolio s Class I shares were named Class A shares.

The Stable Value Fund includes synthetic investment contracts that are benefit-responsive and are carried at fair value totaling
$143 million at December 31, 2008. There are no reserves against these synthetic GICs for credit risk of the contract issuer. Certain of the synthetic GICs contain limitations on contract value guarantees for liquidation other than to pay benefits. The average yield earned by the entire Stable Value Fund was 4.63% and 5.16% for the years ended December 31, 2008 and December 31, 2007, respectively. The average credited interest rate to the participants for the entire Stable Value Fund was 4.51% and 5.03% for the years ended December 31, 2008 and December 31, 2007, respectively. The Plan s investment guidelines require these contracts to be with companies rated AA or better, with no more than 40% invested with any one synthetic wrap provider.

The Plan s investments, including gains and losses on investments bought, sold and held during the year, appreciated or depreciated in value as follows for the years ended December 31, 2008 and 2007:

	2008	2007
Mutual funds and unitized common stock	$ (285,532,586)	$ 2,043,505

Applied common stock	(187,575,264)	(8,858,386)
Common/collective trust	(2,776,430)	1,335,294
Total depreciation	$ (475,884,280)	$ (5,479,587)

Note 6 Non-participant directed investments

As discussed in Note 3, the Plan allows participants (or their beneficiaries) to direct the investment of their account balances in any of the available investment funds under the Plan. If participants fail to direct the manner in which their salary deferral, catch-up, and/or rollover or any future matching contributions are to be invested, such funds automatically are invested in the Default Fund.

Effective June 2007, the Stock Fund was converted into an ESOP. The ESOP, among other things, gives applicable participants (or their beneficiaries) the option of having any future cash dividends that are paid with respect to shares of Applied common stock held in the ESOP either (1) reinvested in the ESOP, or (2) distributed directly to them in cash no later than ninety days after the Plan year for which the dividends were paid. If a participant (or beneficiary) fails to make such dividend election before any dividend payment date, the dividend automatically will be reinvested in the ESOP. Before June 2007, the Plan provided that any cash dividends paid on shares of Applied common stock held in the Stock Fund automatically would be invested according to the applicable participants (or beneficiaries) investment elections for future allocations to their accounts, unless the participant (or beneficiary) elected to reinvest such dividends in the Stock Fund; provided, however, that if the participant (or beneficiary) failed to make any such investment election, such dividends automatically would be invested in the Default Fund.

Note 7 Plan termination or modification

Applied currently intends to continue the Plan indefinitely for the benefit of its participants and their beneficiaries; however, it reserves the right to terminate or modify the Plan at any time and for any reason, subject to the provisions of ERISA. In the event the Plan is terminated, affected participants would become fully vested in their accounts.

Note 8 Acquisitions and Transfers

In July 2006, Applied acquired Applied Films Corporation (AFCO) and eligible employees of AFCO began to contribute to the Plan in August 2006. In connection with the AFCO acquisition, the two 401(k) plans sponsored by AFCO (together, the AFCO Plan) were merged in the Plan effective April 2007. As a result, AFCO Plan assets of $8,784,770 and loans of $134,163 were transferred into the Plan at that time.

Note 9 Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2008 to Form 5500:

	2008
Net assets available for benefits per the financial statements	$ 902,372,903
Adjustment between fair value and contract value related to fully benefit-responsive investment contracts	(7,352,033)
Net assets available for benefits per Form 5500	$ 895,020,870

The following is a reconciliation of total investment income (loss) per the financial statements for the year end December 31, 2008 to total income (loss) Form 5500:

	2008
Total investment income (loss) per the financial statements	$ (445,158,360)
Adjustment between fair value and contract value related to fully benefit-responsive investment contracts	(8,029,661)
Total income (loss) per Form 5500	$ (453,188,021)

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Note 10 Subsequent Events

Effective January 1, 2009, the Standish Mellon Stable Value Fund was renamed the BNY Mellon Stable Value Fund.

On May 1, 2009, the outstanding account balances remaining under the Metron Technology Corporation 401(k) Retirement Plan (the Metron Plan), a 401(k) plan that had been sponsored by Metron Technology Corporation and terminated in connection with Applied s acquisition of Metron Technology N.V. in December 2004, were transferred to this Plan in a plan-to-plan transfer. As a result, Metron Plan assets of $198,340 were transferred into the Plan at that time.

On June 15, 2009, the Plan was amended to provide that effective January 1, 2010, active participants will become 100% vested in any Applied matching contributions allocated to their accounts.

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APPLIED MATERIALS, INC. EIN: 94-1655526
EMPLOYEE SAVINGS AND RETIREMENT PLAN PLAN #333
SUPPLEMENTAL SCHEDULE
SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2008

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value (1)	(e) Current value
*	Fidelity Equity-Income Fund	1,301,408 shares	$ 40,174,457
*	Fidelity Contrafund	1,905,457 shares	86,240,969
	Lord Abbett Small Cap Value Account	Various Products	35,057,173
*	Spartan U.S. Equity Index Fund Investor Class	904,227 shares	28,844,833
	Morgan Stanley Institutional Fund, Inc. International Equity Portfolio Class I	6,464,233 shares	71,171,203
	T. Rowe Price Growth Stock Fund	2,688,918 shares	51,734,790
	T. Rowe Price Personal Strategy Income Fund	672,762 shares	8,126,968
	T. Rowe Price Personal Strategy Balanced Fund	1,975,387 shares	26,094,861
	T. Rowe Price Personal Strategy Growth Fund	808,650 shares	12,048,885
	Vanguard Explorer Fund Admiral Class	100,143 shares	3,923,591
	Vanguard Mid-Cap Index Fund Institutional Class	3,859,743 shares	45,622,158
*	Core Plus Bond Fund	3,255,517 shares	36,518,505
	Standish Mellon Stable Value Fund	Various Products	143,171,182
	Vanguard Small-Cap Index Fund Institutional Class	1,441,649 shares	29,409,635
*	Applied Materials, Inc. Common Stock Fund	25,863,570 shares	262,255,652
*	Participant loans	Interest at 4.75% to 11%, maturing through 2018	13,258,849
		Total	$ 893,653,711

(1) Column (d), cost information, is not provided as all investments are participant or beneficiary directed (including negative elections authorized under the Plan s terms).

* Indicates party-in-interest to the Plan.

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SIGNATURE

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

	APPLIED MATERIALS, INC. EMPLOYEE SAVINGS AND RETIREMENT PLAN
Date: June 26, 2009	By /s/ Ron Miller
	Ron Miller *Vice President, Global Rewards*

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Exhibit Index

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm

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