UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 25, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-06920

Applied Materials, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-1655526**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3050 Bowers Avenue, P.O. Box 58039 Santa Clara, California	**95052-8039**
(Address of principal executive offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

Aggregate market value of the voting stock held by non-affiliates of the registrant as of April 26, 2015, based upon the closing sale price reported by the NASDAQ Global Select Market on that date: $26,764,127,442

Number of shares outstanding of the registrant's Common Stock, $.01 par value, as of December 3, 2015: 1,149,133,389

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of Part III will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

Caution Regarding Forward-Looking Statements

This Annual Report on Form 10-K of Applied Materials, Inc. and its subsidiaries (Applied or the Company), including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, contains forward-looking statements that involve risks and uncertainties.

Examples of forward-looking statements include those regarding Applied's future financial or operating results, cash flows and cash deployment strategies, declaration of dividends, share repurchases, business strategies and priorities, costs and cost controls, products, competitive positions, management's plans and objectives for future operations, research and development, strategic acquisitions and investments, growth opportunities, restructuring activities, backlog, working capital, liquidity, investment portfolio and policies, taxes, supply chain, manufacturing, properties, legal proceedings and claims, customer demand and spending, end-use demand, market and industry trends and outlooks, general economic conditions, and other statements that are not historical facts, as well as their underlying assumptions. Forward-looking statements may contain words such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "potential" and "continue," the negative of these terms, or other comparable terminology. All forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in Part I, Item 1A, "Risk Factors," below and elsewhere in this report. These and many other factors could affect Applied's future financial condition and operating results and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by Applied or on its behalf. Forward-looking statements are based on management's estimates, projections and expectations as of the date hereof, and Applied undertakes no obligation to revise or update any such statements.

The following information should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this report.

APPLIED MATERIALS, INC.

FORM 10-K FOR THE FISCAL YEAR ENDED OCTOBER 25, 2015

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PART I

Item 1: *Business*

Incorporated in 1967, Applied is a Delaware corporation. A global company with a broad set of capabilities in materials engineering, Applied provides manufacturing equipment, services and software to the global semiconductor, display, solar photovoltaic (PV) and related industries. With its diverse technology capabilities, Applied delivers products and services that improve device performance, yield and cost. Applied’s customers include manufacturers of semiconductor chips, liquid crystal and other displays, solar PV cells, and other electronic devices. These customers may use what they manufacture in their own end products or sell the items to other companies for use in advanced electronic components. Applied’s fiscal year ends on the last Sunday in October.

Applied operates in four reportable segments: Silicon Systems, Applied Global Services, Display, and Energy and Environmental Solutions. A summary of financial information for each reportable segment is found in Note 16 of Notes to Consolidated Financial Statements. A discussion of factors that could affect operations is set forth under “Risk Factors” in Item 1A, which is incorporated herein by reference.

Net sales by reportable segment for the past three fiscal years were as follows:

	2015		2014		2013	
	(In millions, except percentages)					
Silicon Systems	$ 6,135	64%	$ 5,978	66%	$ 4,775	64%
Applied Global Services	2,531	26%	2,200	24%	2,023	27%
Display	780	8%	615	7%	538	7%
Energy and Environmental Solutions	213	2%	279	3%	173	2%
Total	$ 9,659	100%	$ 9,072	100%	$ 7,509	100%

Silicon Systems

Applied’s Silicon Systems segment develops, manufactures and sells a wide range of manufacturing equipment used to fabricate semiconductor chips, also referred to as integrated circuits (ICs). The Silicon Systems segment includes semiconductor capital equipment for deposition, etch, ion implantation, rapid thermal processing, chemical mechanical planarization, metrology and inspection, and wafer packaging. The majority of Applied's new equipment sales are to leading integrated device manufacturers and foundries worldwide.

Transistor and Interconnect

Applied’s transistor and interconnect products and technologies have enabled multiple generations of device scaling from planar transistors to today’s 3D multi-gate FinFET transistors. Applied offers products and technologies for transistor and interconnect fabrication, including epitaxy, ion implantation, oxidation and nitridation, rapid thermal processing, chemical vapor deposition, physical vapor deposition, chemical mechanical planarization and electrochemical deposition. Many of these process steps are used multiple times throughout the semiconductor chip fabrication process.

Transistor and Interconnect Technologies	Product(s)
Epitaxy Epitaxial silicon (epitaxy or epi) is a layer of pure silicon grown in a uniform crystalline structure on the wafer to form a high quality base for the device circuity. Epi technology is used in an increasing number of IC devices in both the wafer surface and transistor areas of a chip to enhance speed.	Centura RP Epi
Ion Implant Ion implantation is a key technology for forming transistors and is used many times during chip fabrication. During ion implantation, wafers are bombarded by a beam of electrically-charged ions, called dopants, which change the electrical properties of the exposed surface films.	VIISta Systems
Oxidation/Nitridation Applied's systems provide critical oxidation steps - like memory gate oxide, shallow trench isolation and liner oxide - for advanced device scaling.	Vantage, Radiance and Centura Systems
Rapid Thermal Processing (RTP) RTP is used primarily for annealing, which modifies the properties of deposited films. Applied's single-wafer RTP systems are also used for growing high quality oxide and oxynitride films.	Vantage Systems
Physical Vapor Deposition (PVD) PVD is used to deposit high quality metal films with low resistivity for contact and interconnect devices. Applications include metal gate, silicides, contact liner/barrier, interconnect copper barrier seed and metal hard mask.	Endura Systems
Chemical Vapor Deposition (CVD) CVD is used to deposit dielectric and metal films on a wafer. During the CVD process, gases that contain atoms of the material to be deposited react on the wafer surface, forming a thin film of solid material.	Endura and Centura Systems
Chemical Mechanical Planarization (CMP) CMP is used to planarize a wafer surface, a process that allows subsequent photolithography patterning and material deposition steps to occur with greater accuracy, resulting in more highly uniform film layers with minimal thickness variations.	Reflexion Systems
Electrochemical Deposition (ECD) ECD is a process by which metal atoms from a chemical fluid (an electrolyte) are deposited on the surface of an immersed object.	Raider Platform

Patterning and Packaging

Applied offers patterning and packaging products and systems that enable the transfer of patterns onto device structures, making it possible to etch masks used for photolithography, and perform deposition, etching, and related processes. These systems and technologies address challenges resulting from shrinking pattern dimensions and the complexity in vertical stacking found in today's most advanced semiconductor devices.

Patterning and Packaging Technologies	Product(s)
Atomic Layer Deposition (ALD) ALD technology enables customers to fabricate thin films of either conducting or insulating material with uniform coverage in nanometer-sized structures.	Olympia System
Chemical Vapor Deposition (CVD) CVD is used to deposit dielectric and metal films on a wafer. During the CVD process, gases that contain atoms of the material to be deposited react on the wafer surface, forming a thin film of solid material.	Producer Systems
Etch Etching is used many times throughout the IC manufacturing process to selectively remove material from the surface of a wafer. Applied offers systems for etching dielectric, metal, and silicon films to meet the requirements of advanced processing.	Centris and Producer Systems

Imaging and Process Control

Applied offers a suite of metrology, inspection and review systems for front- and back-end-of-line applications. These systems' imaging capabilities and algorithms employ optical and e-beam technologies to meet the most advanced technical demands, such as self-aligned double and quad patterning, extreme ultraviolet layers, measurement-intensive optimal proximity correction mask qualification, and emerging 3D architectures. Applied delivers leading-edge capabilities that enable chipmakers to establish accurate statistical process control, ramp up production runs rapidly, and achieve consistently high production yields.

Imaging and Process Control Technologies	Product(s)
Metrology and Inspection Metrology and inspection tools are used to locate, measure, and analyze critical defects and features on the wafer during various stages of the fabrication processes. Applied enables customers to characterize and control critical dimension (CD) and defect issues, especially at advanced generation technology nodes.	SEMVision G6 Defect Analysis UVision 7 Inspection VeritySEM 5i Metrology Aera4 Mask Inspection

Applied Global Services

The Applied Global Services (AGS) segment provides integrated solutions to optimize equipment and fab performance and productivity, including spares, upgrades, services, remanufactured earlier generation equipment and factory automation software for semiconductor, display and solar products. Customer demand for products and services is fulfilled through a global distribution system with trained service engineers located in close proximity to customer sites in more than a dozen countries to support approximately 33,000 installed Applied semiconductor, display and solar manufacturing systems worldwide. Applied offers the following general types of services and products under the Applied Global Services segment.

AGS Solutions and Technology
Certified Services A comprehensive service product portfolio that combines service technology and tool specific performance commitments in order to optimize customer factory productivity.
Fab Consulting Experts using advanced analytical tools to solve production problems that have the greatest impact on customer fab productivity.
Parts Programs Spare parts portfolio targets key manufacturing challenges and balances inventory cost and risk to efficiently meet customer fab requirements.
Subfab Equipment Applied SubFab solutions lower costs, save energy, reduce environmental impact, and meet Environmental Protection Agency reporting regulations for greenhouse gas emissions.
Legacy Equipment Comprehensive 200mm equipment and upgrades portfolio to address a full spectrum of production needs and extend tool lifetime. Applied legacy equipment supports new technology for a broad variety of devices including analog, power, and MEMS.
Automation Software Automation software coordinates and streamlines every aspect of a factory-the processes, equipment and people-to provide competitive advantage to customers.

Display

The Display segment is comprised of products for manufacturing liquid crystal displays (LCDs), organic light-emitting diodes (OLEDs), and other display technologies for TVs, personal computers (PCs), tablets, smart phones, and other consumer-oriented devices. While similarities exist between the technologies utilized in semiconductor and display fabrication, the most significant differences are in the size and composition of the substrate. Substrates used to manufacture display panels are typically glass, although newer flexible materials are entering the market. Display industry growth depends primarily on consumer demand for increasingly larger and more advanced TVs and high resolution displays for mobile devices. The Display segment offers a variety of technologies and products, including:

Display Technologies	Product(s)
Array Test LCD display substrates are inspected at many stages of production to maximize yield, minimize scrap, optimize equipment utilization, and monitor manufacturing processes. At the completion of the array stage, the performance of the millions of individual pixels on each display is tested.	Electron Beam Array Tester
Chemical Vapor Deposition (CVD) During CVD processing, gases containing material atoms or molecules are introduced into the process chamber. The gases form reactive radicals or ions, which undergo chemical reactions to form thin films on the heated substrate.	AKT PECVD Systems
Physical Vapor Deposition (PVD) PVD is used to deposit high quality films of metals, alloys, transparent conductors and semiconductors. In Display, these films are used for contact, interconnect, transparent electrodes and transistor materials in display backplanes, as well as for transparent electrodes in color filters and touch panels.	AKT Aristo and PiVot Systems

Energy and Environmental Solutions

The Energy and Environmental Solutions segment includes products for fabricating crystalline-silicon (c-Si) solar PV cells, as well as high throughput roll-to-roll deposition equipment for flexible electronics, packaging and other applications. The technologies and products offered in the Energy and Environmental Solutions segment include:

Energy and Environmental Technologies	Product(s)
Solar:	
Cell Manufacturing C-Si cell manufacturing involves multiple steps, one of which is screen printing the solar cell contact structures. Applied’s printers are the industry-leading systems for this process step. Applied’s Fine Line Double Print process enables solar manufacturers to produce cells with less paste, better quality and higher cell efficiencies than conventional single print cells.	Baccini Systems
Roll-to-Roll WEB Coating:	
The Roll-to-Roll coating systems provide production solutions for packaging, flexible electronics and security industries. WEB systems utilize physical vapor deposition, thermal evaporation, chemical vapor deposition, and e-beam technology to deposit tiny layers of metal onto flexible substrates.	TopBeam, TopMet and SmartWeb Systems

Backlog

Applied manufactures systems to meet demand represented by order backlog and customer commitments. Backlog consists of: (1) orders for which written authorizations have been accepted and assigned shipment dates are within the next 12 months, or shipment has occurred but revenue has not been recognized; and (2) contractual service revenue and maintenance fees to be earned within the next 12 months.

Backlog by reportable segment as of October 25, 2015 and October 26, 2014 was as follows:

	2015		2014	
	(In millions, except percentages)			
Silicon Systems	$ 1,720	55%	$ 1,400	48%
Applied Global Services	812	26%	775	27%
Display	525	16%	593	20%
Energy and Environmental Solutions	85	3%	149	5%
Total	$ 3,142	100%	$ 2,917	100%

Applied's backlog on any particular date is not necessarily indicative of actual sales for any future periods, due to the potential for customer changes in delivery schedules or order cancellations. Customers may delay delivery of products or cancel orders prior to shipment, subject to possible cancellation penalties. Delays in delivery schedules or a reduction of backlog during any particular period could have a material adverse effect on Applied's business and results of operations.

Manufacturing, Raw Materials and Supplies

Applied's manufacturing activities consist primarily of assembly, test and integration of various proprietary and commercial parts, components and subassemblies that are used to manufacture systems. Applied has implemented a distributed manufacturing model under which manufacturing and supply chain activities are conducted in various countries, including Germany, Israel, Italy, Singapore, Taiwan, the United States and other countries in Asia. Applied uses numerous vendors, including contract manufacturers, to supply parts and assembly services for the manufacture and support of its products, including some systems being completed at customer sites.

Although Applied makes reasonable efforts to assure that parts are available from multiple qualified suppliers, this is not always possible. Accordingly, some key parts may be obtained from only a single supplier or a limited group of suppliers. Applied seeks to reduce costs and to lower the risks of manufacturing and service interruptions by selecting and qualifying alternate suppliers for key parts; monitoring the financial condition of key suppliers; maintaining appropriate inventories of key parts; qualifying new parts on a timely basis; and ensuring quality and performance of parts.

Research, Development and Engineering

Applied’s long-term growth strategy requires continued development of new products, including products that enable expansion into new markets. Applied's significant investments in research, development and engineering (RD&E) must generally enable it to deliver new products and technologies before the emergence of strong demand, thus allowing customers to incorporate these products into their manufacturing plans during early-stage technology selection. Applied works closely with its global customers to design systems and processes that meet their planned technical and production requirements.

Applied’s product development and engineering organizations are located primarily in the United States, as well as in in Canada, China, Europe, India, Israel, Singapore and Taiwan. In addition, certain outsourced RD&E activities, process support and customer demonstrations are performed in the United States, India, China, Singapore and Taiwan.

Applied's investments in RD&E for product development and engineering programs over the last three fiscal years were as follows: $1.5 billion (15 percent of net sales) in fiscal 2015, $1.4 billion (16 percent of net sales) in fiscal 2014, and $1.3 billion (18 percent of net sales) in fiscal 2013. Applied has spent an average of 14 percent of net sales in RD&E over the last five years. In addition to RD&E for specific product technologies, Applied maintains ongoing programs for automation control systems, materials research, and environmental control that are applicable to its products.

Marketing and Sales

Net sales by geographic region for the past three fiscal years, determined by the location of customers' facilities to which products were shipped, were as follows:

	2015		2014		2013	
			(In millions, except percentages)			
Taiwan	$ 2,600	27%	$ 2,702	30%	$ 2,640	35%
China	1,623	17%	1,608	18%	787	11%
Korea	1,654	17%	965	10%	924	12%
Japan	1,078	11%	817	9%	685	9%
Southeast Asia	432	4%	356	4%	320	4%
Asia Pacific	7,387	76%	6,448	71%	5,356	71%
United States	1,630	17%	1,966	22%	1,473	20%
Europe	642	7%	658	7%	680	9%
Total	$ 9,659	100%	$ 9,072	100%	$ 7,509	100%

Because of the highly technical nature of its products, Applied markets and sells products worldwide almost entirely through a direct sales force.

General economic conditions can impact the company’s business and financial results. Applied’s business is based on capital equipment investments by major semiconductor, display, solar PV and other manufacturers, and is subject to cyclical industry conditions. Customers’ expenditures depend on many factors, including: anticipated market demand and pricing for semiconductors, display technologies and solar cells, and other electronic devices; the development of new technologies; customers’ factory utilization; capital resources and financing; government policies and incentives; and global and regional economic conditions. In addition, a significant driver in the semiconductor and display industries is end-demand for mobile consumer products, which is characterized by seasonality that impacts the timing of customer investments in manufacturing equipment and, in turn, Applied’s business.

Information on net sales to unaffiliated customers and long-lived assets attributable to Applied’s geographic regions is included in Note 16 of Notes to Consolidated Financial Statements. The following companies accounted for at least 10 percent of Applied’s net sales in each fiscal year, which were for products in multiple reportable segments.

	2015	2014	2013
Samsung Electronics Co., Ltd.	18%	12%	13%
Taiwan Semiconductor Manufacturing Company Limited	15%	21%	27%

Competition

The industries in which Applied operates are highly competitive and characterized by rapid technological change. Applied’s ability to compete generally depends on its ability to timely commercialize its technology, continually improve its products, and develop new products that meet constantly evolving customer requirements. Significant competitive factors include technical capability and differentiation, productivity, cost-effectiveness and the ability to support a global customer base. The importance of these factors varies according to customers’ needs, including product mix and respective product requirements, applications, and the timing and circumstances of purchasing decisions. Substantial competition exists in all areas of Applied’s business. Competitors range from small companies that compete in a single region, which may benefit from policies and regulations that favor domestic companies, to global, diversified companies. Applied’s ability to compete requires a high level of investment in RD&E, marketing and sales, and global customer support activities. Management believes that many of Applied’s products have strong competitive positions.

The competitive environment for each segment is described below.

The semiconductor industry has been increasingly driven by consumer demand for lower-cost electronic products with increased capability, particularly mobility devices such as smartphones and tablets. As a result, products within the Silicon Systems segment are subject to significant changes in customer requirements, including transitions to smaller dimensions, new materials and an increasing number of applications. While certain existing technologies may be adapted to new requirements, some applications create the need for an entirely different technological approach. The rapid pace of technological change can quickly diminish the value of current technologies and products and create opportunities for existing and new competitors. Applied offers a variety of technologically-differentiated products that must continuously evolve to satisfy customers’ requirements in order to compete effectively in the marketplace. Applied allocates resources among its numerous product offerings and therefore may decide not to invest in an individual product to the same degree as competitors who specialize in fewer products. There are a number of competitors serving the semiconductor manufacturing equipment industry, which has experienced increasing consolidation. Some of these competitors offer a single product line and others offer multiple product lines, and range from suppliers serving a single region to global, diversified companies. The competitive environment for Silicon Systems in fiscal 2015 reflected steady demand for semiconductor equipment, with increased investment in technology upgrades and additional capacity by memory customers. Demand from foundry customers reflected investments in new technology at advanced nodes, driven by demand for advanced mobile chips.

Products and services within the Applied Global Services segment complement Silicon Systems, Display, and Energy and Environmental Solutions segments’ products in markets that are characterized by demanding worldwide service requirements and a diverse group of numerous competitors. To compete effectively, Applied offers products and services to improve tool performance, lower overall cost of ownership, and increase the productivity and energy efficiency of customers’ fab operations. Significant competitive factors include productivity, cost-effectiveness, and the level of technical service and support. The importance of these factors varies according to customers’ needs and the type of products or services offered. Industry conditions that affected Applied Global Services’ sales of spares and services in fiscal 2015 were principally semiconductor manufacturers' wafer starts and factory utilization rates.

Products in the Display segment are generally subject to strong competition from a number of major competitors primarily in Asia. Applied holds established market positions with its technically-differentiated LCD and OLED manufacturing solutions for PECVD, color filter PVD, PVD array, PVD touch panel, and TFT array testing, although its market position could change quickly due to customers' evolving requirements. The competitive environment for the Display segment in fiscal 2015 was characterized by continued demand for manufacturing equipment for TVs and high-end mobile devices, although this sector remains susceptible to highly cyclical conditions. Important factors affecting the competitive position of Applied's Display products include: industry trends, Applied's ability to innovate and develop new products, and the extent to which Applied's products are technically-differentiated, as well as which customers within a highly concentrated customer base are making capital equipment investments and Applied's existing position at these customers.

Applied's products within the Energy and Environmental Solutions segment compete in several diverse market areas, including the c-Si solar equipment market. The solar equipment market has been characterized by significant pressure to reduce customers' overall production costs and increase conversion efficiency. While end-market demand for solar PVs has been robust over the last several years, investment levels in capital equipment remained low in fiscal 2015. With respect to its c-Si equipment products, Applied competes with a number of other companies, some of which have significant experience with solar applications and some of which are new entrants to the solar equipment market. The solar industry downturn has affected many of Applied's competitors and customers adversely, with some companies going through extensive financial and organizational restructuring, and in some instances ceasing operations.

Patents and Licenses

Applied’s competitive position significantly depends upon its research, development, engineering, manufacturing and marketing capabilities, as well as its patent position. Protection of Applied's technology assets through enforcement of its intellectual property rights, including patents, is important. Applied’s practice is to file patent applications in the United States and other countries for inventions that it considers significant. Applied has approximately 10,200 patents in the United States and other countries, and additional applications are pending for new inventions. Although Applied does not consider its business materially dependent upon any one patent, the rights of Applied and the products made and sold under its patents, taken as a whole, are a significant element of its business. In addition to its patents, Applied possesses other intellectual property, including trademarks, know-how, trade secrets, and copyrights.

Applied enters into patent and technology licensing agreements with other companies when it is determined to be in its best interest. Applied pays royalties under existing patent license agreements for the use, in several of its products, of certain patented technologies. Applied also receives royalties from licenses granted to third parties. Royalties received from or paid to third parties have not been, and are not expected to be, material to Applied’s consolidated results of operations.

In the normal course of business, Applied periodically receives and makes inquiries regarding possible patent infringement. In responding to such inquiries, it may become necessary or useful for Applied to obtain or grant licenses or other rights. However, there can be no assurance that such licenses or rights will be available to Applied on commercially reasonable terms, or at all. If Applied is not able to resolve or settle claims, obtain necessary licenses on commercially reasonable terms, or successfully prosecute or defend its position, Applied’s business, financial condition and results of operations could be materially and adversely affected.

Environmental Matters

Applied maintains a number of environmental, health, and safety programs that are primarily preventative in nature. As part of these programs, Applied regularly monitors ongoing compliance with applicable laws and regulations. In addition, Applied has trained personnel to conduct investigations of any environmental, health, or safety incidents, including, but not limited to, spills, releases, or possible contamination.

Compliance with federal, state and local environmental, health and safety laws and regulations, including those regulating the discharge of materials into the environment, remedial agreements, and other actions relating to the environment have not had, and are not expected to have, a material effect on Applied’s capital expenditures, competitive position, financial condition, or results of operations.

The most recent report on Applied’s environmental, health and safety activities can be found in Applied’s latest Citizenship Report on its website at http://www.appliedmaterials.com/company/corporate-responsibility/reports. The Citizenship Report is updated periodically. This website address is intended to be an inactive textual reference only. None of the information on, or accessible through, Applied’s website is part of this Form 10-K or is incorporated by reference herein.

Employees

At October 25, 2015, Applied employed approximately 14,600 regular employees and 900 temporary employees. In the high-technology industry, competition for highly-skilled employees is intense. Applied believes that its future success is highly dependent upon its continued ability to attract, retain and motivate qualified employees.

Executive Officers of the Registrant

The following table and notes set forth information about Applied’s executive officers:

Name of Individual	Position
Gary E. Dickerson(1)	President, Chief Executive Officer
Ginetto Addiego(2)	Senior Vice President, Engineering
Robert J. Halliday(3)	Senior Vice President, Chief Financial Officer
Thomas F. Larkins(4)	Senior Vice President, General Counsel and Corporate Secretary
Omkaram Nalamasu(5)	Senior Vice President, Chief Technology Officer
Ali Salehpour(6)	Senior Vice President, General Manager, New Markets and Service Group
Charles Read(7)	Corporate Vice President, Corporate Controller and Chief Accounting Officer

(1) Mr. Dickerson, age 58, was named President of Applied in June 2012 and appointed Chief Executive Officer and a member of the Board of Directors in September 2013. Before joining Applied, he served as Chief Executive Officer and a director of Varian Semiconductor Equipment Associates, Inc. (Varian) from 2004 until its acquisition by Applied in November 2011. Prior to Varian, Mr. Dickerson served 18 years with KLA-Tencor Corporation (KLA-Tencor), a supplier of process control and yield management solutions for the semiconductor and related industries, where he held a variety of operations and product development roles, including President and Chief Operating Officer. Mr. Dickerson started his semiconductor career in manufacturing and engineering management at General Motors' Delco Electronics Division and then AT&T Technologies.

(2) Dr. Addiego, age 56, has been Senior Vice President, Engineering since rejoining Applied in March 2014. He previously was with Applied from 1996 to 2005, leading various product groups as well as global organizations, including Global Operations, Manufacturing, Foundation Engineering, and Information Technology. From March 2011 to March 2014, Dr. Addiego was President and Chief Operating Officer of Ultra Clean Technology Corp., a supplier of critical subsystems for the semiconductor capital equipment, medical device, energy, research, and flat panel industries. From February 2005 to March 2011, Dr. Addiego worked at Novellus Systems, Inc., a provider of advanced process equipment for the semiconductor industry, where he served as Executive Vice President and Chief Administrative Officer and Executive Vice President of Corporate Operations.

(3) Mr. Halliday, age 61, has been Senior Vice President, Chief Financial Officer of Applied since February 2013. He previously served as a Group Vice President and General Manager in Applied’s Silicon Systems segment following the completion of Applied’s acquisition of Varian in November 2011. Mr. Halliday had served as Chief Financial Officer of Varian since 2001 and as an Executive Vice President of Varian since 2004. He was Varian's Treasurer from November 2002 to October 2006 and from February 2009 to February 2010.

(4) Mr. Larkins, age 54, has been Senior Vice President, General Counsel and Corporate Secretary of Applied since November 2012. Previously, Mr. Larkins was employed by Honeywell International Inc., a diversified global technology and manufacturing company, where he was Vice President, Corporate Secretary and Deputy General Counsel from 2002 until joining Applied. Mr. Larkins served in various other positions at Honeywell (formerly AlliedSignal) after joining the company in 1997.

(5) Dr. Nalamasu, age 57, has been Senior Vice President, Chief Technology Officer since June 2013, and President of Applied Ventures, LLC, Applied's venture capital arm, since November 2013. He had served as Group Vice President, Chief Technology Officer from January 2012 to June 2013, and as Corporate Vice President, Chief Technology Officer from January 2011 to January 2012. Upon joining Applied in June 2006 until January 2011, Dr. Nalamasu was an Appointed Vice President of Research and served as Deputy Chief Technology Officer and General Manager for the Advanced Technologies Group. From 2002 to 2006, Dr. Nalamasu was a NYSTAR distinguished professor of Materials Science and Engineering at Rensselaer Polytechnic Institute, where he also served as Vice President of Research from 2005 to 2006. Prior to Rensselaer, Dr. Nalamasu served in several leadership roles at Bell Laboratories.

(6) Mr. Salehpour, age 54, has been Senior Vice President, General Manager, New Markets and Service Group since September 2013. He previously served as Group Vice President, General Manager Energy and Environmental Solutions and Display Business Groups, since joining Applied in November 2012. Prior to Applied, Mr. Salehpour worked at KLA-Tencor for 16 years, where he served as a Senior Vice President and General Manager.

(7) Mr. Read, age 49, has been Corporate Vice President, Corporate Controller and Chief Accounting Officer of Applied since joining the Company in September 2013. Prior to Applied, Mr. Read worked at Brocade Communications Systems, Inc., a provider of semiconductor and software-based network solutions, since October 2002, where he most recently served as Vice President, Corporate Controller. Prior to Brocade, Mr. Read worked at KPMG LLP, an audit, tax and advisory firm, from 1996 to 2002.

Available Information

Applied's website is http://www.appliedmaterials.com. Applied makes available free of charge, on or through its website, its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with, or furnishing them to, the SEC. The SEC's website, www.sec.gov, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. These website addresses are intended to be an inactive textual references only. None of the information on, or accessible through, these websites is part of this Form 10-K or is incorporated by reference herein.

Item 1A: *Risk Factors*

The following factors could materially and adversely affect Applied’s business, financial condition or results of operations and cause reputational harm, and they should be carefully considered in evaluating the Company and its business, in addition to other information presented elsewhere in this report.

The industries that Applied serves are volatile and difficult to predict.

As a supplier to the global semiconductor, display, and solar industries, Applied is subject to business cycles, the timing, length and volatility of which can be difficult to predict and which vary by reportable segment. These industries historically have been cyclical due to sudden changes in customers’ requirements for new manufacturing capacity and advanced technology, which depend in part on customers’ capacity utilization, production volumes, access to affordable capital, end-use demand, consumer buying patterns, and inventory levels relative to demand, as well as the rate of technology transitions and general economic conditions. These changes have affected the timing and amounts of customers’ purchases and investments in technology, and continue to affect Applied’s orders, net sales, operating expenses and net income. In particular, the amount and mix of capital equipment spending between foundry, memory and logic customers can have a significant impact on the results of operations of our Silicon Systems segment, which is the largest contributor to Applied’s consolidated net sales and total new orders.

To meet rapidly changing demand in the industries it serves, Applied must accurately forecast demand and effectively manage its resources and production capacity for each of its segments as well as across multiple segments, and may incur unexpected or additional costs to align its business operations. During periods of increasing demand for its products, Applied must have sufficient manufacturing capacity and inventory to meet customer demand; effectively manage its supply chain; attract, retain and motivate a sufficient number of qualified employees; and continue to control costs. During periods of decreasing demand, Applied must reduce costs and align its cost structure with prevailing market conditions; effectively manage its supply chain; and motivate and retain key employees. If Applied does not effectively manage its costs during periods of decreasing demand, its gross margins and earnings may be adversely impacted.

Applied is exposed to risks associated with the uncertain global economy.

Uncertain global economic conditions along with uncertainties in the financial markets, national debt and fiscal concerns in various regions, and government austerity measures, are posing challenges to the industries in which Applied operates. The markets for semiconductors and displays in particular depend largely on consumer spending. Economic uncertainty and related factors exacerbate negative trends in business and consumer spending and may cause certain Applied customers to push out, cancel, or refrain from placing orders for equipment or services, which may in turn reduce Applied's net sales, reduce backlog, and affect Applied’s ability to convert backlog to sales. Uncertain market conditions, difficulties in obtaining capital, or reduced profitability may also cause some customers to scale back operations, exit businesses, merge with other manufacturers, or file for bankruptcy protection and potentially cease operations, which can also result in lower sales and/or additional inventory or bad debt expense for Applied. These conditions may similarly affect key suppliers, which could impair their ability to deliver parts and result in delays for Applied’s products or added costs. In addition, these conditions may lead to strategic alliances by, or consolidation of, other equipment manufacturers, which could adversely affect Applied’s ability to compete effectively.

Uncertainty about future economic and industry conditions also makes it more challenging for Applied to forecast its operating results, make business decisions, and identify and prioritize the risks that may affect its businesses, sources and uses of cash, financial condition and results of operations. Applied may be required to implement additional cost reduction efforts, including restructuring activities, which may adversely affect Applied’s ability to capitalize on opportunities. In addition, Applied maintains an investment portfolio that is subject to general credit, liquidity, foreign exchange, market and interest rate risks. The risks to Applied’s investment portfolio may be exacerbated if financial market conditions deteriorate and, as a result, the value and liquidity of the investment portfolio, as well as returns on pension assets, could be negatively impacted and lead to impairment charges. Applied also maintains cash balances in various bank accounts globally in order to fund normal operations. If any of these financial institutions becomes insolvent, it could limit Applied’s ability to access cash in the affected accounts.

Applied is exposed to risks as a result of ongoing changes in the various industries in which it operates.

The global semiconductor, display, solar and related industries in which Applied operates are characterized by ongoing changes affecting some or all of these industries that impact demand for and/or the profitability of Applied's products, including:

- the nature, timing and degree of visibility of changes in end demand for electronic products, including those related to fluctuations in consumer buying patterns tied to seasonality or the introduction of new products, and the effects of these changes on foundry and other customers' businesses and, in turn, on demand for Applied's products;
- increasing capital requirements for building and operating new fabrication plants and customers' ability to raise the necessary capital;
- differences in growth rates among the semiconductor, display and solar industries;
- the increasing importance of establishing, improving and maintaining strong relationships with customers;
- the increasing cost and complexity for customers to move from product design to volume manufacturing, which may slow the adoption rate of new manufacturing technology;
- the need to continually reduce the total cost of manufacturing system ownership;
- the heightened importance to customers of system reliability and productivity and the effect on demand for fabrication systems as a result of their increasing productivity, device yield and reliability;
- manufacturers' ability to reconfigure and re-use fabrication systems;
- the increasing importance of, and difficulties in, developing products with sufficient differentiation to influence customers' purchasing decisions;
- requirements for shorter cycle times for the development, manufacture and installation of manufacturing equipment;
- price and performance trends for semiconductor devices, displays and solar PVs, and the corresponding effect on demand for such products;
- the increasing importance of the availability of spare parts to maximize the time that customers' systems are available for production;
- the increasing role for and complexity of software in Applied products; and
- the increasing focus on reducing energy usage and improving the environmental impact and sustainability associated with manufacturing operations.

Applied is exposed to risks as a result of ongoing changes specific to the semiconductor industry.

The largest proportion of Applied's consolidated net sales and profitability has been and continues to be derived from sales of manufacturing equipment in the Silicon Systems segment to the global semiconductor industry. In addition, a majority of the revenues of Applied Global Services is from sales of service products to semiconductor manufacturers. The semiconductor industry is characterized by ongoing changes particular to this industry that impact demand for and/or the profitability of Applied's semiconductor equipment and service products, including:

- the increasing cost of research and development due to many factors, including: decreasing linewidths on a chip, the use of new materials, new and more complex device structures, more applications and process steps, increasing chip design costs, and the increasing cost and complexity of integrated manufacturing processes;
- the need to reduce product development time, despite the increasing difficulty of technical challenges;
- the growing number of types and varieties of semiconductors and number of applications across multiple substrate sizes;
- the increasing cost and complexity for semiconductor manufacturers to move more technically advanced capability and smaller linewidths to volume manufacturing, and the resulting impact on the rates of technology transition and investment in capital equipment;
- challenges in generating organic growth given semiconductor manufacturers' levels of capital expenditures and the allocation of capital investment to market segments that Applied does not serve, such as lithography, or segments where Applied's products have lower relative market presence;
- the importance of increasing market positions in under-penetrated segments, such as etch and inspection;
- semiconductor manufacturer's ability to reconfigure and re-use equipment, and the resulting effect on their need to purchase new equipment and services;
- the increasing frequency and complexity of technology transitions and inflections, such as 3-D transistors and advanced interconnects, and Applied's ability to timely and effectively anticipate and adapt to these changes;

- shorter cycle times between order placements by customers (particularly foundries) and product shipment, which may lead to inventory write-offs and manufacturing inefficiencies that decrease gross margin;
- competitive factors that make it difficult to enhance position, including challenges in securing development-tool-of-record (DTOR) and production-tool-of-record (PTOR) positions with customers;
- consolidation in the semiconductor industry, including among semiconductor manufacturers and among manufacturing equipment suppliers;
- shifts in sourcing strategies by computer and electronics companies that impact the equipment requirements of Applied's foundry customers;
- the concentration of new wafer starts in Korea and Taiwan, where Applied’s service penetration and service-revenue-per-wafer-start have been lower than in other regions;
- the potential increasing investment in semiconductor manufacturing capabilities in China, and its effect on the demand for semiconductor manufacturing equipment; and
- the increasing fragmentation of semiconductor markets, leading certain markets to become too small to support the cost of a new fabrication plant, while others require less technologically advanced products.

Applied must accurately forecast, and allocate appropriate resources and investment towards addressing, key technology changes and inflections in order to enable opportunities for gains.

Applied is exposed to risks as a result of ongoing changes specific to the display industry.

The global display industry historically has experienced considerable volatility in capital equipment investment levels, due in part to the limited number of display manufacturers, the concentrated nature of end-use applications, production capacity relative to end-use demand, and panel manufacturer profitability. Industry growth has depended primarily on consumer demand for increasingly larger and more advanced TVs and, more recently, on demand for smartphones and other mobile devices, which demand is highly sensitive to cost and improvements in technologies and features. The display industry is characterized by ongoing changes particular to this industry that impact demand for and/or the profitability of Applied's display products, including:

- the timing and extent of an expansion of manufacturing facilities in China, which may be affected by changes in economic conditions in China;
- the rate of transition to larger substrate sizes for TVs and to new display technologies for TVs and mobile applications, and the resulting effect on capital intensity in the industry and on Applied’s product differentiation, gross margin and return on investment;
- the importance of new types of display technologies, such as low temperature polysilicon (LTPS), organic light-emitting diode (OLED), flexible displays and metal oxide, and new touch panel films; and
- uncertainty with respect to future display technology end-use applications and growth drivers.

Applied is exposed to risks as a result of ongoing changes specific to the solar industry.

Investment levels in capital equipment for the global solar industry have experienced considerable volatility. In recent years, global solar PV production capacity has exceeded end-use demand, causing customers to significantly reduce or delay investments in manufacturing capacity and new technology, or to cease operations. Recently, Applied implemented cost reduction measures in its solar business, and as a result incurred restructuring charges, asset impairments and inventory-related charges. The global solar market is characterized by ongoing changes specific to this industry that impact demand for and/or the profitability of Applied's solar products, including:

- the need to continually decrease the cost-per-watt of electricity produced by solar PV products to at or below grid parity in more global regions by, among other things, reducing operating costs and increasing throughputs for solar PV manufacturing, and improving the conversion efficiency of solar PVs;
- the variability and uncertainty of government energy policies and their effect in influencing the rate of growth of the solar PV market, including the availability and amount of incentives for solar power such as tax credits, feed-in tariffs, rebates, renewable portfolio standards that require electricity providers to sell a targeted amount of energy from renewable sources, and goals for solar installations on government facilities;
- the number of solar PV manufacturers and amount of global production capacity for solar PVs, primarily in China;
- the assessment of duties on solar cells and modules imported from China, Taiwan and other countries;
- challenges associated with marketing and selling manufacturing equipment and services to a diverse and diffuse customer base;
- the availability and condition of used solar equipment, which impacts demand for new equipment;
- the financial condition of solar PV customers and their access to affordable financing and capital; and
- solar panel manufacturing overcapacity, which has led to weak industry operating performance and outlooks, deterioration of the solar equipment market, and a worsening of the financial condition of certain customers.

Applied must continually innovate, commercialize its products, and adapt its business and product offerings to respond to competition and rapid technological changes.

As Applied operates in a highly competitive environment in which innovation is critical, its future success depends on many factors, including the effective commercialization and customer acceptance of its equipment, services and related products. In addition, Applied must successfully execute its growth strategy, including enhancing its presence in existing markets, expanding into related markets, cultivating new markets and exceeding industry growth rates, while constantly improving its operational performance. The development, introduction and support of a broadening set of products in more collaborative, geographically diverse, open and varied competitive environments have grown more complex and expensive over time. Furthermore, new or improved products may entail higher costs and reduced profits. Applied's performance may be adversely affected if it does not timely, cost-effectively and successfully:

- identify and address technology inflections, market changes, new applications, customer requirements and end-use demand;
- develop new products and disruptive technologies, improve and/or develop new applications for existing products, and adapt similar products for use by customers in different applications and/or markets with varying technical requirements;
- differentiate its products from those of competitors and any disruptive technologies, meet customers' performance specifications, appropriately price products, and achieve market acceptance;
- maintain operating flexibility to enable different responses to different markets, customers and applications;
- enhance its worldwide operations across all business segments to reduce cycle time, enable continuous quality improvement, reduce costs, and enhance design for manufacturability and serviceability;
- focus on product development and sales and marketing strategies that address customers' high value problems and foster strong customer relationships;

- allocate resources, including people and R&D funding, among Applied’s products and between the development of new products and the enhancement of existing products, as most appropriate and effective for future growth;
- reduce the cost and improve the productivity of capital invested in R&D activities;
- accurately forecast demand, work with suppliers and meet production schedules for its products;
- improve its manufacturing processes and achieve cost efficiencies across product offerings;
- adapt to changes in value offered by companies in different parts of the supply chain;
- qualify products for evaluation and, in turn, volume manufacturing with its customers; and
- implement changes in its design engineering methodology, including those that enable reduction of material costs and cycle time, greater commonality of platforms and types of parts used in different systems, greater effectiveness of product life cycle management, and reduced energy usage and environmental impact.

Applied is exposed to risks associated with a highly concentrated customer base.

Applied’s semiconductor customer base historically has been, and is becoming even more, highly concentrated as a result of economic and industry conditions. In fiscal 2015, two semiconductor manufacturers accounted for approximately 41 percent of the Silicon Systems segment's net sales and two customers accounted for 33 percent of Applied’s consolidated net sales. Applied’s display customer base is also highly concentrated. Applied’s customer base is also geographically-concentrated. See Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” for tabular presentations of net sales by geographic region.

In addition, certain customers have experienced significant ownership or management changes, consolidated with other manufacturers, outsourced manufacturing activities, or engaged in collaboration or cooperation arrangements with other manufacturers. Customers have entered into strategic alliances or industry consortia that have increased the influence of key industry participants in technology decisions made by their partners. Also, certain customers are making an increasingly greater percentage of their respective industry’s capital equipment investments. Further, claims or litigation involving key industry participants have resulted and may continue to result in changes in their sourcing strategies and other outcomes. In this environment, contracts or orders from a relatively limited number of manufacturers have accounted for, and are expected to continue to account for, a substantial portion of Applied’s business. The mix and type of customers, and sales to any single customer, may vary significantly from quarter to quarter and from year to year. As Applied’s products are configured to customer specifications, changing, rescheduling or canceling orders may result in significant, non-recoverable costs. If customers do not place orders, or they substantially reduce, delay or cancel orders, Applied may not be able to replace the business, which could have a material adverse effect on the Company’s results of operations. Major customers may also seek, and on occasion receive, pricing, payment, intellectual property-related, or other commercial terms that are less favorable to Applied.

Applied is exposed to the risks of operating a global business.

In fiscal 2015, approximately 83 percent of Applied’s net sales were to customers in regions outside the United States. Moreover, China now represents the largest market for various electronic products, such as TVs, PCs, and smartphones. Certain of Applied’s R&D and manufacturing facilities, as well as suppliers to Applied, are also located outside the United States, including in Singapore, Taiwan, China, Korea, Israel, Germany and Italy. Applied is also expanding its business and operations in new countries. The global nature of Applied’s business and operations, combined with the need to continually improve the Company’s operating cost structure, presents challenges, including but not limited to those arising from:

- varying regional and geopolitical business conditions and demands;
- political and social attitudes, laws, rules, regulations and policies within countries that favor domestic companies over non-domestic companies, including customer- or government-supported efforts to promote the development and growth of local competitors;
- customer- or government-supported efforts to influence Applied to conduct more of its operations and sourcing in a particular country, such as Korea and China;
- variations among, and changes in, local, regional, national or international laws and regulations (including intellectual property, labor, tax, and import/export laws), as well as the interpretation and application of such laws and regulations;
- global trade issues, including those related to the interpretation and application of import and export licenses, as well as international trade disputes;

- positions taken by governmental agencies regarding possible national commercial and/or security issues posed by international business operations;
- fluctuating raw material, commodity, energy and shipping costs or shipping delays;
- challenges associated with managing more geographically diverse operations and projects, which require an effective organizational structure and appropriate business processes, procedures and controls;
- a more diverse workforce with different experience levels, cultures, customs, business practices and worker expectations;
- variations in the ability to develop relationships with local customers, suppliers and governments;
- fluctuations in interest rates and currency exchange rates, including the relative strength or weakness of the U.S. dollar against the Japanese yen, euro, Taiwanese dollar, Israeli shekel or Chinese yuan;
- the need to provide sufficient levels of technical support in different locations around the world;
- political instability, natural disasters (such as earthquakes, floods or storms), pandemics, social unrest, terrorism or acts of war in locations where Applied has operations, suppliers or sales, or that may influence the value chain of the industries that Applied serves;
- the need for an effective business continuity plan if a disaster or other event occurs that could disrupt business operations;
- the need to regularly reassess the size, capability and location of global infrastructure and make appropriate changes;
- cultural and language differences;
- difficulties and uncertainties associated with the entry into new countries;
- hiring and integration of an increasing number of new workers, including in countries such as India and China;
- the increasing need for the workforce to be more mobile and work in or travel to different regions;
- uncertainties with respect to economic growth rates in various countries; and
- uncertainties with respect to growth rates for the manufacture and sale of semiconductors, displays and solar PVs in the developing economies of certain countries.

Many of these challenges are present in China and Korea, which are experiencing significant growth of customers, suppliers and competitors to Applied. Applied further believes that China and Korea present large potential markets for its products and opportunity for growth over the long term, although at lower projected levels of profitability and margins for certain products than historically have been achieved in other regions.

Applied is exposed to risks associated with business combinations, acquisitions and strategic investments.

Applied has made, and in the future may make, acquisitions of or investments in companies, technologies or products in existing, related or new markets for Applied. Business combinations, acquisitions and investments involve numerous risks that vary depending on their scale and nature, including but not limited to:

- diversion of management's attention from other operational matters;
- contractual restrictions on the conduct of Applied's business during the pendency of a proposed transaction;
- inability to complete proposed transactions as anticipated or at all and any ensuing obligation to pay a termination fee;
- the failure of acquired businesses to meet or exceed expected returns;
- requirements imposed by government regulators in connection with their review of a transaction, which may include, among other things, divestitures and/or restrictions on the conduct of Applied's existing business or the acquired business;
- ineffective integration of operations, systems, technologies, products or employees, which can impact the ability to realize anticipated synergies or other benefits;

- failure to commercialize purchased technologies;
- initial dependence on unfamiliar supply chains or relatively small supply partners;
- inability to capitalize on characteristics of new markets that may be significantly different from Applied’s existing markets and where competitors may have stronger market positions and customer relationships;
- failure to attract, retain and motivate key employees;
- the potential impact of the announcement or consummation of a proposed transaction on relationships with third parties;
- potential changes in Applied’s credit rating, which could adversely impact the Company’s access to and cost of capital;
- reductions in cash balances and/or increases in debt obligations to finance activities associated with a transaction, which reduce the availability of cash flow for general corporate or other purposes;
- exposure to new operational risks, rules, regulations, worker expectations, customs and practices to the extent acquired businesses are located in regions where Applied has not historically conducted business;
- challenges associated with managing new, more diverse and more widespread operations, projects and people;
- inability to obtain and protect intellectual property rights in key technologies;
- inadequacy or ineffectiveness of an acquired company’s internal financial controls, disclosure controls and procedures, and/or environmental, health and safety, anti-corruption, human resource, or other policies or practices;
- impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements or worse-than-expected performance of the segment;
- the risk of litigation or claims associated with a proposed or completed transaction;
- unknown, underestimated and/or undisclosed commitments or liabilities; and
- the inappropriate scale of acquired entities’ critical resources or facilities for business needs.

Applied also makes strategic investments in other companies, including companies formed as joint ventures, which may decline in value and/or not meet desired objectives. The success of these investments depends on various factors over which Applied may have limited or no control and, particularly with respect to joint ventures, requires ongoing and effective cooperation with strategic partners. The risks to Applied’s strategic investment portfolio may be exacerbated by unfavorable financial market and macroeconomic conditions and, as a result, the value of the investment portfolio could be negatively impacted and lead to impairment charges.

Applied’s indebtedness and debt covenants could adversely affect its financial condition and business.

Applied has $3.35 billion in aggregate principal amount of senior unsecured notes outstanding. Under the indenture governing the senior unsecured notes, it may be required to offer to repurchase the notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest, upon a change of control of Applied and a contemporaneous downgrade of the notes below investment grade. Applied also has in place a $1.5 billion committed revolving credit agreement. While no amounts were outstanding under this credit agreement at October 25, 2015, Applied may borrow amounts in the future under the agreement. Applied may also enter into new financing arrangements. Applied’s ability to satisfy its debt obligations is dependent upon the results of its business operations and other risks discussed in this section. Significant changes in Applied’s credit rating or changes in the interest rate environment could have a material adverse consequence on Applied’s access to and cost of capital for future financings, and financial condition. If Applied fails to satisfy its debt obligations, or comply with financial and other debt covenants, it may be in default and any borrowings may become immediately due and payable, and such default may also constitute a default under other of Applied’s obligations. There can be no assurance that Applied would have sufficient financial resources or be able to arrange financing to repay any borrowings at such time.

Operating in multiple industries, and the entry into new markets and industries, entail additional challenges and obligations.

As part of its growth strategy, Applied must successfully expand into related or new markets and industries, either with its existing products or with new products developed internally or obtained through acquisitions. The entry into different markets involves additional challenges, including those arising from:

- the need to devote additional resources to develop new products for, and operate in, new markets;
- the need to develop new sales and technical marketing strategies, cultivate relationships with new customers and meet different customer service requirements;
- differing rates of profitability and growth among multiple businesses;
- Applied’s ability to anticipate demand, capitalize on opportunities, and avoid or minimize risks;

- the complexity of managing multiple businesses with variations in production planning, execution, supply chain management and logistics;
- the adoption of new business models, business processes and systems;
- Applied’s ability to rapidly expand or reduce its operations to meet increased or decreased demand, respectively, and the associated effect on working capital;
- new materials, processes and technologies;
- the need to attract, motivate and retain employees with skills and expertise in these new areas;
- new and more diverse customers and suppliers, including some with limited operating histories, uncertain and/or limited funding, evolving business models and/or locations in regions where Applied does not have, or has limited, operations;
- new or different competitors with potentially more financial or other resources, industry experience and/or established customer relationships;
- entry into new industries and countries, with differing levels of government involvement, laws and regulations, and business, employment and safety practices;
- third parties’ intellectual property rights; and
- the need to comply with, or work to establish, industry standards and practices.

In addition, Applied from time to time receives funding from United States and other government agencies for certain strategic development programs to increase its research and development resources and address new market opportunities. As a condition to this government funding, Applied may be subject to certain record-keeping, audit, intellectual property rights-sharing and/or other obligations.

Manufacturing interruptions or delays could affect Applied’s ability to meet customer demand and lead to higher costs, while the failure to estimate customer demand accurately could result in excess or obsolete inventory.

Applied’s business depends on its timely supply of equipment, services and related products that meet the rapidly changing technical and volume requirements of its customers, which depends in part on the timely delivery of parts, components and subassemblies (collectively, parts) from suppliers, including contract manufacturers. Some key parts are subject to long lead-times and/or obtainable only from a single supplier or limited group of suppliers, and some sourcing or subassembly is provided by suppliers located in countries other than the countries where Applied conducts its manufacturing, including China and Korea. Cyclical industry conditions and the volatility of demand for manufacturing equipment increase capital, technical, operational and other risks for Applied and for companies throughout its supply chain. Further, these conditions may cause some suppliers to scale back operations, exit businesses, merge with other companies, or file for bankruptcy protection and possibly cease operations. Applied may also experience significant interruptions of its manufacturing operations, delays in its ability to deliver products or services, increased costs or customer order cancellations as a result of:

- the failure or inability of suppliers to timely deliver sufficient quantities of quality parts on a cost-effective basis;
- volatility in the availability and cost of materials, including rare earth elements;
- difficulties or delays in obtaining required import or export approvals;
- information technology or infrastructure failures; and
- natural disasters or other events beyond Applied's control (such as earthquakes, floods or storms, regional economic downturns, pandemics, social unrest, political instability, terrorism, or acts of war), particularly where it conducts manufacturing.

If a supplier fails to meet Applied’s requirements concerning quality, cost, socially-responsible business practices, or other performance factors, Applied may transfer its business to alternative sources, which could entail manufacturing delays, additional costs, or other difficulties. In addition, if Applied needs to rapidly increase its business and manufacturing capacity to meet increases in demand or expedited shipment schedules, this may exacerbate any interruptions in Applied’s manufacturing operations and supply chain and the associated effect on Applied’s working capital. Moreover, if actual demand for Applied’s products is different than expected, Applied may purchase more/fewer parts than necessary or incur costs for canceling, postponing or expediting delivery of parts. If Applied purchases inventory in anticipation of customer demand that does not materialize, or if customers reduce or delay orders, Applied may incur excess inventory charges.

The ability to attract, retain and motivate key employees is vital to Applied's success.

Applied's success, competitiveness and ability to execute on its global strategies and maintain a culture of innovation depend in large part on its ability to attract, retain and motivate key employees, especially in critical positions. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, management changes, Applied's organizational structure, hiring practices of competitors and other companies, cost reduction activities (including workforce reductions and unpaid shutdowns), availability of career development opportunities, the ability to obtain necessary authorizations for workers to provide services outside their home countries, and the effectiveness of Applied's compensation and benefit programs, including its share-based programs. Restructuring programs present particular challenges to the extent they involve the departure of knowledgeable and experienced employees and the resulting need to identify and train existing or new workers to perform necessary functions, which may result in unexpected costs, reduced productivity, and/or difficulties with respect to internal processes and controls.

Applied is exposed to various risks related to protection and enforcement of intellectual property rights.

Applied's success depends in significant part on the protection of its intellectual property and other rights. Infringement of Applied's rights by a third party, such as the unauthorized manufacture or sale of equipment or spare parts, could result in uncompensated lost market and revenue opportunities for Applied. Policing any unauthorized use of intellectual property is difficult and costly and Applied cannot be certain that the measures it has implemented will prevent misuse. Applied's intellectual property rights may not provide significant competitive advantages if they are circumvented, invalidated, rendered obsolete by the rapid pace of technological change, or if Applied does not adequately protect or assert these rights or obtain necessary licenses on commercially reasonable terms. Furthermore, the laws and practices of other countries, including China, India, Taiwan and Korea, permit the protection and enforcement of Applied's rights to varying extents, which may not be sufficient to adequately protect Applied's rights. In addition, changes in intellectual property laws or their interpretation, such as recent changes in U.S. patent laws, may impact Applied's ability to protect and assert its intellectual property rights, increase costs and uncertainties in the prosecution of patent applications and enforcement or defense of issued patents, and diminish the value of Applied's intellectual property.

Applied is exposed to risks related to cybersecurity threats and incidents.

In the conduct of its business, Applied collects, uses, transmits and stores data on information technology systems. This data includes confidential information belonging to Applied or its customers or other business partners, as well as personally-identifiable information of individuals. Applied has experienced, and expects to continue to be subject to, cybersecurity threats and incidents, ranging from employee error or misuse to individual attempts to gain unauthorized access to information systems to sophisticated and targeted measures known as advanced persistent threats, none of which have been material to the Company to date. Applied devotes significant resources to network security, data encryption and other measures to protect its systems and data from unauthorized access or misuse. However, depending on their nature and scope, cybersecurity incidents could result in business disruption; the misappropriation, corruption or loss of confidential information and critical data (Applied's and that of third parties); reputational damage; litigation with third parties; diminution in the value of Applied's investment in research, development and engineering; data privacy issues; and increased cybersecurity protection and remediation costs.

Applied is exposed to various risks related to legal proceedings.

Applied from time to time is, and in the future may be, involved in legal proceedings or claims regarding patent infringement, intellectual property rights, antitrust, environmental regulations, securities, contracts, product performance, product liability, unfair competition, misappropriation of trade secrets, employment, workplace safety, and other matters. Applied also on occasion receives notification from customers who believe that Applied owes them indemnification or other obligations related to claims made against such customers by third parties.

Legal proceedings and claims, whether with or without merit, and associated internal investigations, may (1) be time-consuming and expensive to prosecute, defend or conduct; (2) divert management's attention and other Applied resources; (3) inhibit Applied's ability to sell its products; (4) result in adverse judgments for damages, injunctive relief, penalties and fines; and/or (5) negatively affect Applied's business. There can be no assurance regarding the outcome of current or future legal proceedings, claims or investigations.

The failure to successfully implement and conduct outsourcing activities and other operational initiatives could adversely affect results of operations.

To better align its costs with market conditions, locate closer to customers, enhance productivity, and improve efficiencies, Applied conducts certain engineering, software development, manufacturing, sourcing and other operations in regions outside the United States, including India, Taiwan, China, and Korea. Applied has implemented a distributed manufacturing model, under which certain manufacturing and supply chain activities are conducted in various countries, including Germany, Israel, Italy, Singapore, Taiwan, the United States and other countries in Asia, and assembly of some systems is completed at customer sites. In addition, Applied outsources certain functions to third parties, including companies in the United States, India, China, Korea, Malaysia and other countries. Outsourced functions include contract manufacturing, engineering, customer support, software development, information technology support, finance and administrative activities. The expanding role of third party providers has required changes to Applied's existing operations and the adoption of new procedures and processes for retaining and managing these providers, as well as redistributing responsibilities as warranted, in order to realize the potential productivity and operational efficiencies, assure quality and continuity of supply, and protect the intellectual property of Applied and its customers, suppliers and other partners. If Applied does not accurately forecast the amount, timing and mix of demand for products, or if contract manufacturers or other outsource providers fail to perform in a timely manner or at satisfactory quality levels, Applied's ability to meet customer requirements could suffer, particularly during a market upturn.

In addition, Applied must regularly implement or update comprehensive programs and processes to better align its global organizations, including initiatives to enhance its supply chain and improve back office and information technology infrastructure for more efficient transaction processing. The implementation of new processes and additional functionality to the existing systems entails certain risks, including difficulties with changes in business processes that could disrupt Applied's operations, such as its ability to track orders and timely ship products, project inventory requirements, manage its supply chain and aggregate financial and operational data. During transitions Applied must continue to rely on legacy information systems, which may be costly or inefficient, while the implementation of new initiatives may not achieve the anticipated benefits and may divert management's attention from other operational activities, or have other unintended consequences.

If Applied does not effectively develop and implement its outsourcing and relocation strategies, if required export and other governmental approvals are not timely obtained, if Applied's third party providers do not perform as anticipated, or if there are delays or difficulties in enhancing business processes, Applied may not realize anticipated productivity improvements or cost efficiencies, and may experience operational difficulties, increased costs (including energy and transportation), manufacturing interruptions or delays, inefficiencies in the structure and/or operation of its supply chain, loss of its intellectual property rights, quality issues, reputational harm, increased product time-to-market, and/or inefficient allocation of human resources.

Applied may incur impairment charges to goodwill or long-lived assets.

Applied has a significant amount of goodwill and other acquired intangible assets related to acquisitions. Goodwill and purchased intangible assets with indefinite useful lives are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year, and more frequently when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The review compares the fair value for each of Applied's reporting units to its associated carrying value, including goodwill. Factors that could lead to impairment of goodwill and intangible assets include adverse industry or economic trends, reduced estimates of future cash flows, declines in the market price of Applied common stock, changes in Applied's strategies or product portfolio, and restructuring activities. Applied's valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. Applied may be required to record future charges to earnings during the period in which an impairment of goodwill or intangible assets is determined to exist.

Changes in tax rates or tax assets and liabilities could affect results of operations.

As a global company, Applied is subject to taxation in the United States and various other jurisdictions. Significant judgment is required to determine and estimate worldwide tax liabilities. Applied's future provision for income taxes and tax rates could be affected by numerous factors, including changes in the: (1) applicable tax laws; (2) amount and composition of pre-tax income in jurisdictions with differing tax rates; (3) plans to indefinitely reinvest certain funds held outside of the U.S.; and (4) valuation of deferred tax assets and liabilities.

Consistent with the international nature of its business, Applied conducts certain manufacturing, supply chain, and other operations in Asia, bringing these activities closer to customers and reducing operating costs. Applied has received authorization to use tax incentives that provide that income earned in certain countries outside the U.S. will be subject to tax holidays or reduced income tax rates. To obtain the benefit of these tax incentives, Applied must meet requirements relating to various activities. Applied's ability to realize benefits from these incentives could be materially affected if, among other things, applicable requirements are not met or Applied incurs net losses for which it cannot claim a deduction.

In addition, Applied is subject to regular examination by the Internal Revenue Service and other tax authorities, and from time to time initiates amendments to previously filed tax returns. Applied regularly assesses the likelihood of favorable or unfavorable outcomes resulting from these examinations and amendments to determine the adequacy of its provision for income taxes, which requires estimates and judgments. Although Applied believes its tax estimates are reasonable, there can be no assurance that the tax authorities will agree with such estimates. Applied may have to engage in litigation to achieve the results reflected in the estimates, which may be time-consuming and expensive. There can be no assurance that Applied will be successful or that any final determination will not be materially different from the treatment reflected in Applied's historical income tax provisions and accruals.

Applied is subject to risks of non-compliance with environmental and safety regulations.

Applied is subject to environmental and safety regulations in connection with its global business operations, including but not limited to: regulations related to the development, manufacture and use of its products; recycling and disposal of materials used in its products or in producing its products; the operation of its facilities; and the use of its real property. The failure or inability to comply with existing or future environmental and safety regulations, such as those related to climate change, could result in: (1) significant remediation liabilities; (2) the imposition of fines; (3) the suspension or termination of the development, manufacture, sale or use of certain of its products; (4) limitations on the operation of its facilities or ability to use its real property; and/or (5) a decrease in the value of its real property.

Applied is exposed to various risks related to the regulatory environment.

Applied is subject to various risks related to: (1) new, different, inconsistent or conflicting laws, rules and regulations that may be enacted by executive order, legislative bodies or regulatory agencies in the countries in which Applied operates; (2) disagreements or disputes between national or regional regulatory agencies related to international trade; and (3) the interpretation and application of laws, rules and regulations. As a public company with global operations, Applied is subject to the laws of multiple jurisdictions and the rules and regulations of various governing bodies, including those related to financial and other disclosures, corporate governance, privacy, and anti-corruption. Changes and ambiguities in laws, regulations and standards create uncertainty and challenges regarding compliance matters. Efforts to comply with new and changing regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Item 1B: ***Unresolved Staff Comments***

None.

Item 2: *Properties*

Information concerning Applied's properties at October 25, 2015 is set forth below:

(Square feet in thousands)	United States	Other Countries	Total
Owned	3,748	1,624	5,372
Leased	556	1,107	1,663
Total	4,304	2,731	7,035

Because of the interrelation of Applied's operations, properties within a country may be shared by the segments operating within that country. The Company's headquarters offices are in Santa Clara, California. Products in Silicon Systems are manufactured in Austin, Texas; Gloucester, Massachusetts; Rehovot, Israel; and Singapore. Remanufactured equipment products in the Applied Global Services segment are produced primarily in Austin, Texas. Products in the Display segment are manufactured in Tainan, Taiwan and Santa Clara, California. Products in the Energy and Environmental Solutions segment are primarily manufactured in Alzenau, Germany and Treviso, Italy.

Applied also owns and leases offices, plants and warehouse locations in many locations throughout the world, including in Europe, Japan, North America (principally the United States), Israel, China, India, Korea, Southeast Asia and Taiwan. These facilities are principally used for manufacturing; research, development and engineering; and marketing, sales and customer support.

Applied also owns a total of approximately 139 acres of buildable land in Texas, California, Israel and Italy that could accommodate additional building space.

Applied considers the properties that it owns or leases as adequate to meet its current and future requirements. Applied regularly assesses the size, capability and location of its global infrastructure and periodically makes adjustments based on these assessments.

Item 3: ***Legal Proceedings***

The information set forth under “Legal Matters” in Note 15 of Notes to Consolidated Financial Statements is incorporated herein by reference.

Item 4: ***Mine Safety Disclosures***

None.

PART II

Item 5: ***Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

The following table sets forth the high and low closing sale prices for the periods presented as reported on the NASDAQ Global Select Market.

	Price Range	
	High	Low
Fiscal 2015		
First quarter	$ 25.40	$ 21.04
Second quarter	$ 25.63	$ 21.49
Third quarter	$ 20.38	$ 17.37
Fourth quarter	$ 17.62	$ 14.37
Fiscal 2014		
First quarter	$ 18.01	$ 16.50
Second quarter	$ 20.84	$ 16.72
Third quarter	$ 23.27	$ 18.67
Fourth quarter	$ 23.11	$ 18.92

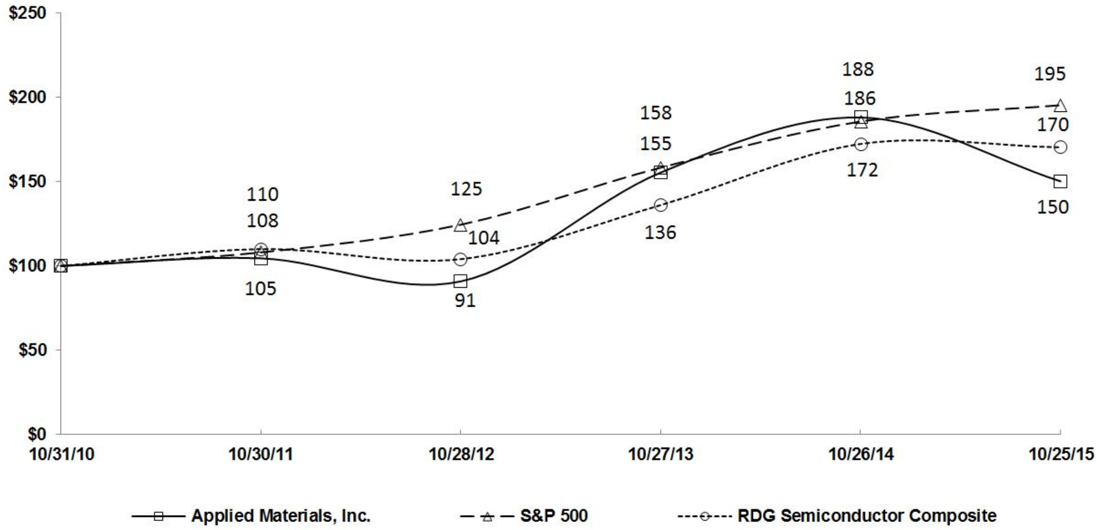
Applied’s common stock is traded on the NASDAQ Global Select Market under the symbol AMAT. As of December 3, 2015, there were 3,247 registered holders of Applied common stock.

Performance Graph

The performance graph below shows the five-year cumulative total stockholder return on Applied common stock during the period from October 31, 2010 through October 25, 2015. This is compared with the cumulative total return of the Standard & Poor's 500 Stock Index and the RDG Semiconductor Composite Index over the same period. The comparison assumes $100 was invested on October 31, 2010 in Applied common stock and in each of the foregoing indices and assumes reinvestment of dividends, if any. Dollar amounts in the graph are rounded to the nearest whole dollar. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



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

"S&P" is a registered trademark of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

	10/31/2010	10/30/2011	10/28/2012	10/27/2013	10/26/2014	10/25/2015
Applied Materials	100.00	104.54	90.88	155.43	188.13	150.26
S&P 500 Index	100.00	108.09	124.52	158.36	185.71	195.37
RDG Semiconductor Composite Index	100.00	110.04	104.07	136.15	172.41	170.40

Dividends

During each of fiscal 2015 and 2014, Applied's Board of Directors declared four quarterly cash dividends of $0.10 per share. During fiscal 2013, Applied's Board of Directors declared three quarterly cash dividends of $0.10 per share and one quarterly cash dividend of $0.09 per share. Dividends paid during fiscal 2015, 2014 and 2013 amounted to $487 million, $485 million and $456 million, respectively. Applied currently anticipates that cash dividends will continue to be paid on a quarterly basis, although the declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on Applied's financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board of Directors that cash dividends are in the best interests of Applied's stockholders.

Issuer Purchases of Equity Securities

The following table provides information as of October 25, 2015 with respect to the shares of common stock repurchased by Applied during the fourth quarter of fiscal 2015 pursuant to the publicly-announced stock repurchase program approved by the Board of Directors on April 26, 2015, which authorized up to $3.0 billion in repurchases over the next three years ending April 2018.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Aggregate Price Paid	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet be Purchased Under the Program
	(In millions, except per share amounts)				
Month #1					
(July 27, 2015 to August 23, 2015)	9.5	$ 16.89	$ 160	9.5	$ 2,215
Month #2					
(August 24, 2015 to September 20, 2015)	14.8	$ 15.69	233	14.8	$ 1,982
Month #3					
(September 21, 2015 to October 25, 2015)	20.1	$ 15.32	307	20.1	$ 1,675
Total	44.4	$ 15.78	$ 700	44.4	

Item 6: ***Selected Financial Data***

The following selected financial information has been derived from Applied's historical audited consolidated financial statements and should be read in conjunction with the consolidated financial statements and the accompanying notes for the corresponding fiscal years:

Fiscal Year(1)	2015	2014	2013	2012	2011
	(In millions, except percentages and per share amounts)				
New orders	$ 10,104	$ 9,648	$ 8,466	$ 8,037	$ 10,142
Net sales	$ 9,659	$ 9,072	$ 7,509	$ 8,719	$ 10,517
Gross profit	$ 3,952	$ 3,843	$ 2,991	$ 3,313	$ 4,360
Gross margin	40.9%	42.4%	39.8%	38.0%	41.5%
Research, development and engineering	$ 1,451	$ 1,428	$ 1,320	$ 1,237	$ 1,118
Operating income	$ 1,693	$ 1,520	$ 432	$ 411	$ 2,398
Operating margin	17.5%	16.8%	5.8%	4.7%	22.8%
Income before income taxes	$ 1,598	$ 1,448	$ 350	$ 316	$ 2,378
Net income	$ 1,377	$ 1,072	$ 256	$ 109	$ 1,926
Earnings per diluted share	$ 1.12	$ 0.87	$ 0.21	$ 0.09	$ 1.45
Long-term debt	$ 3,342	$ 1,947	$ 1,946	$ 1,946	$ 1,947
Cash dividends declared per common share	$ 0.40	$ 0.40	$ 0.39	$ 0.35	$ 0.31
Total assets	$ 15,308	$ 13,174	$ 12,043	$ 12,102	$ 13,861

(1) Each fiscal year ended on the last Sunday in October. Fiscal 2015, 2014, 2013, 2012 and 2011 each contained 52 weeks.

Item 7: *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to facilitate an understanding of Applied's business and results of operations. This MD&A should be read in conjunction with Applied's Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included elsewhere in this Form 10-K. The following discussion contains forward-looking statements and should also be read in conjunction with the cautionary statement set forth at the beginning of this Form 10-K. MD&A consists of the following sections:

- *Overview:* a summary of Applied's business and measurements
- *Results of Operations:* a discussion of operating results
- *Segment Information:* a discussion of segment operating results
- *Business Combinations:* a summary of announced or completed business combinations and acquisitions
- *Recent Accounting Pronouncements:* a discussion of new accounting pronouncements and its impact to Applied's consolidated financial statements
- *Financial Condition, Liquidity and Capital Resources:* an analysis of cash flows, sources and uses of cash
- *Off-Balance Sheet Arrangements and Contractual Obligations*
- *Critical Accounting Policies and Estimates:* a discussion of critical accounting policies that require the exercise of judgments and estimates
- *Non-GAAP Adjusted Results:* a presentation of results reconciling GAAP to non-GAAP adjusted measures

Overview

Applied provides manufacturing equipment, services and software to the global semiconductor, display, solar photovoltaic (PV) and related industries. Applied's customers include manufacturers of semiconductor wafers and chips, liquid crystal and other displays, solar PV cells and modules, and other electronic devices. These customers may use what they manufacture in their own end products or sell the items to other companies for use in advanced electronic components. Applied operates in four reportable segments: Silicon Systems, Applied Global Services, Display, and Energy and Environmental Solutions. A summary of financial information for each reportable segment is found in Note 16 of Notes to Consolidated Financial Statements. A discussion of factors that could affect Applied's operations is set forth under "Risk Factors" in Part I, Item 1A, which is incorporated herein by reference. Product development and manufacturing activities occur primarily in the United States, Europe, Israel, and Asia. Applied's broad range of equipment and service products are highly technical and are sold primarily through a direct sales force.

Applied's results are driven primarily by worldwide demand for semiconductors, which in turn depends on end-user demand for electronic products. Each of Applied's businesses is subject to cyclical industry conditions, as demand for manufacturing equipment and services can change depending on supply and demand for chips, display technologies, solar PVs and other electronic devices, as well as other factors, such as global economic and market conditions, and the nature and timing of technological advances in fabrication processes. In addition, a significant driver in the semiconductor and display industries is end-demand for mobile consumer products, which is characterized by seasonality that impacts the timing of customer investments in manufacturing equipment and, in turn, Applied's business. In light of these conditions, Applied's results can vary significantly year-over-year, as well as quarter-over-quarter.

Applied's strategic priorities for fiscal 2016 include developing products that help solve customers' challenges at technology inflections; expanding its served market opportunities in the semiconductor and display industries; and growing its services business.

On April 26, 2015, Applied and Tokyo Electron Limited (TEL) announced that they had mutually agreed to terminate their previously announced Business Combination Agreement, which was entered into on September 24, 2013 and intended to effect a strategic combination of their respective business into a new combined company. No termination fee was payable by either Applied or TEL.

Results of Operations

The following table presents certain significant measurements for the past three fiscal years:

	2015	2014	2013	Change 2015 over 2014	Change 2014 over 2013
	(In millions, except per share amounts and percentages)				
New orders	$ 10,104	$ 9,648	$ 8,466	$ 456	$ 1,182
Net sales	$ 9,659	$ 9,072	$ 7,509	$ 587	$ 1,563
Gross profit	$ 3,952	$ 3,843	$ 2,991	$ 109	$ 852
Gross margin	40.9%	42.4%	39.8%	(1.5) points	2.6 points
Operating income	$ 1,693	$ 1,520	$ 432	$ 173	$ 1,088
Operating margin	17.5%	16.8%	5.8%	0.7 points	11.0 points
Net income	$ 1,377	$ 1,072	$ 256	$ 305	$ 816
Earnings per diluted share	$ 1.12	$ 0.87	$ 0.21	$ 0.25	$ 0.66
Non-GAAP Adjusted Results					
Non-GAAP adjusted gross profit	$ 4,147	$ 4,002	$ 3,160	$ 145	$ 842
Non-GAAP adjusted gross margin	42.9%	44.1%	42.1%	(1.2) points	2.0 points
Non-GAAP adjusted operating income	$ 1,896	$ 1,781	$ 1,032	$ 115	$ 749
Non-GAAP adjusted operating margin	19.6%	19.6%	13.7%	—	5.9 points
Non-GAAP adjusted net income	$ 1,457	$ 1,314	$ 718	$ 143	$ 596
Non-GAAP adjusted earnings per diluted share	$ 1.19	$ 1.07	$ 0.59	$ 0.12	$ 0.48

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below. Fiscal 2015, 2014 and 2013 each contained 52 weeks.

Mobility, and the increasing technological functionality of mobile devices, continues to be the largest drivers of semiconductor industry spending. Fiscal 2015 was characterized by steady demand for semiconductor equipment, with increased investment in technology upgrades and additional capacity by memory customers. Demand from foundry customers reflected investments in new technology at advanced nodes, driven by demand for advanced mobile chips. Mobility represented a significant driver of display industry spending during fiscal 2015, which resulted in continued manufacturing capacity expansion for mobile applications. Demand for larger TVs was also a factor for display industry investments, although demand for TV manufacturing equipment remains susceptible to highly cyclical conditions. Investment in solar equipment remained low during fiscal 2015 due to ongoing excess manufacturing capacity in the industry. Gross margin challenges are expected in the first half of fiscal 2016 primarily due to higher demand for semiconductor equipment from memory customers and mobility display equipment.

Applied expects the mobility trend to remain the main growth driver for the semiconductor industry, and in turn for Silicon Systems, in fiscal 2016. Demand in the semiconductor manufacturing equipment industry is expected to be driven by foundry and memory spending. Applied also expects semiconductor spares and services, and display equipment investment to remain healthy in fiscal 2016.

During fiscal 2014, demand for advanced mobile chips drove demand for semiconductor equipment by foundry customers. In addition, demand for semiconductor equipment from memory customers improved as manufacturers invested in technology upgrades. Mobility and demand for larger TVs drove investment in display equipment during fiscal 2014. Investment in solar equipment remained low during fiscal 2014, despite continued end-market growth, due to excess manufacturing capacity in the industry.

Fiscal 2013 was characterized by strong demand for semiconductor equipment from foundry customers driven by demand for advanced mobile chips. In the second half of fiscal 2013, demand from foundry customers softened, while demand from memory and logic customers improved. Display industry spending during fiscal 2013 reflected strong demand for mobile display equipment, as well as a recovery in demand for TV manufacturing equipment compared to weak industry levels in fiscal 2012. Investment in solar equipment remained low during fiscal 2013 due to continued excess manufacturing capacity in the industry.

New Orders

New orders by reportable segment for each fiscal year were as follows:

	2015		2014		2013		Change	
							2015 over 2014	2014 over 2013
	(In millions, except percentages)							
Silicon Systems	$ 6,581	65%	$ 6,132	64%	$ 5,507	65%	7%	11%
Applied Global Services	2,653	26%	2,433	25%	2,090	25%	9%	16%
Display	717	7%	845	9%	703	8%	(15)%	20%
Energy and Environmental Solutions	153	2%	238	2%	166	2%	(36)%	43%
Total	$ 10,104	100%	$ 9,648	100%	$ 8,466	100%	5%	14%

New orders for fiscal 2015 slightly increased from fiscal 2014 due to higher demand for semiconductor equipment, and semiconductor spares and services, partially offset by lower demand for display and solar equipment. New orders for Silicon Systems and Applied Global Services continued to comprise the majority of Applied's consolidated total new orders.

New orders increased in fiscal 2014 from fiscal 2013 across all segments, primarily due to higher demand for semiconductor equipment, semiconductor spares and services, and display equipment.

New orders by geographic region for each fiscal year, determined by the product shipment destination specified by the customer, were as follows:

	2015		2014		2013		Change	
							2015 over 2014	2014 over 2013
	(In millions, except percentages)							
Taiwan	$ 2,808	28%	$ 2,740	28%	$ 2,885	34%	2%	(5)%
China	1,472	14%	1,517	16%	1,339	16%	(3)%	13%
Korea	1,709	17%	1,086	11%	915	11%	57%	19%
Japan	1,786	18%	1,031	11%	822	10%	73%	25%
Southeast Asia	430	4%	412	4%	351	4%	4%	17%
Asia Pacific	8,205	81%	6,786	70%	6,312	75%	21%	8%
United States	1,323	13%	2,200	23%	1,419	17%	(40)%	55%
Europe	576	6%	662	7%	735	8%	(13)%	(10)%
Total	$ 10,104	100%	$ 9,648	100%	$ 8,466	100%	5%	14%

The changes in new orders from customers in Korea, Japan, the United States and Europe in fiscal 2015 compared to fiscal 2014, and changes in new orders from customers in the United States, Japan, Taiwan and Korea for fiscal 2014 compared to fiscal 2013, primarily reflected changes in customer mix for the Silicon Systems segment. The increase in new orders in fiscal 2014 compared to fiscal 2013 from China resulted from increased demand from display manufacturing equipment.

Changes in backlog during each fiscal year were as follows:

	2015	2014
	(In millions)	
Beginning balance	$ 2,917	$ 2,372
New orders	10,104	9,648
Net sales	(9,659)	(9,072)
Net adjustments	(220)	(31)
Ending balance	$ 3,142	$ 2,917

Backlog consists of: (1) orders for which written authorizations have been accepted and assigned shipment dates are within the next 12 months, or shipment has occurred but revenue has not been recognized; and (2) contractual service revenue and maintenance fees to be earned within the next 12 months. Applied's backlog at any particular time is not necessarily indicative of actual sales for any future periods, due to the potential for customer changes in delivery schedules or cancellation of orders. Approximately 70 percent of the backlog as of the end of fiscal 2015 is anticipated to be shipped within the first two quarters of fiscal 2016.

Applied's backlog was $3.1 billion at October 25, 2015 compared to $2.9 billion at October 26, 2014. Backlog adjustments were negative for fiscal 2015 and totaled $220 million, primarily consisting of order cancellations, unfavorable foreign currency impacts and other adjustments.

Backlog by reportable segment as of the end of each fiscal year was as follows:

	2015		2014		Change 2015 over 2014
	(In millions, except percentages)				
Silicon Systems	$ 1,720	55%	$ 1,400	48%	23%
Applied Global Services	812	26%	775	27%	5%
Display	525	16%	593	20%	(11)%
Energy and Environmental Solutions	85	3%	149	5%	(43)%
Total	$ 3,142	100%	$ 2,917	100%	8%

Total backlog increased in fiscal 2015 from fiscal 2014 primarily due to increases in demand from memory customers and for semiconductor spares and services, which was partially offset by lower demand for display and solar manufacturing equipment. In the fourth quarter of fiscal 2015 approximately 55 percent of net sales in Silicon Systems, Applied's largest business segment, were for orders received and shipped within the quarter, up from 44 percent in the fourth quarter of fiscal 2014.

Net Sales

Net sales by reportable segment for each fiscal year were as follows:

	2015		2014		2013		Change 2015 over 2014	Change 2014 over 2013
	(In millions, except percentages)							
Silicon Systems	$ 6,135	64%	$ 5,978	66%	$ 4,775	64%	3%	25%
Applied Global Services	2,531	26%	2,200	24%	2,023	27%	15%	9%
Display	780	8%	615	7%	538	7%	27%	14%
Energy and Environmental Solutions	213	2%	279	3%	173	2%	(24)%	61%
Total	$ 9,659	100%	$ 9,072	100%	$ 7,509	100%	6%	21%

Net sales increased in fiscal 2015 compared to fiscal 2014 primarily due to greater customer investments in semiconductor equipment, semiconductor spares and services, 200mm equipment systems and display equipment. The Silicon Systems segment remains the largest contributor of net sales.

Net sales for all segments increased in fiscal 2014 compared to fiscal 2013. The increase primarily reflected increased customer investments in semiconductor and display equipment, as well as semiconductor spares and services.

Net sales by geographic region for each fiscal year, determined by the location of customers' facilities to which products were shipped, were as follows:

	2015[1]		2014		2013		Change 2015 over 2014	Change 2014 over 2013
	(In millions, except percentages)							
Taiwan	$ 2,600	27%	$ 2,702	30%	$ 2,640	35%	(4)%	2%
China	1,623	17%	1,608	18%	787	11%	1%	104%
Korea	1,654	17%	965	10%	924	12%	71%	4%
Japan	1,078	11%	817	9%	685	9%	32%	19%
Southeast Asia	432	4%	356	4%	320	4%	21%	11%
Asia Pacific	7,387	76%	6,448	71%	5,356	71%	15%	20%
United States	1,630	17%	1,966	22%	1,473	20%	(17)%	33%
Europe	642	7%	658	7%	680	9%	(2)%	(3)%
Total	$ 9,659	100%	$ 9,072	100%	$ 7,509	100%	6%	21%

(1) Amount of net sales attributed to each geographic region differ from those included in Applied's press release issued on November 12, 2015. These reclassifications did not affect Applied's previously announced financial results as total net sales remain unchanged.

The changes in net sales from customers in Korea, Japan and Taiwan in fiscal 2015 compared to fiscal 2014 primarily reflected changes in customer mix for semiconductor equipment. The decrease in net sales from customers in the United States was due to lower customer spending on semiconductor equipment, partially offset by increased spending on semiconductor spares and services, and 200mm equipment.

Net sales from customers in China increased for fiscal 2014 compared to fiscal 2013 primarily due to greater investments in semiconductor, display and solar manufacturing equipment, while net sales from customers in the United States increased due to higher investments in semiconductor equipment.

Gross Margin

Gross profit and gross margin for each fiscal year were as follows:

	2015	2014	2013	Change 2015 over 2014	Change 2014 over 2013
	(In millions, except percentages)				
Gross profit	$ 3,952	$ 3,843	$ 2,991	$ 109	$ 852
Gross margin	40.9%	42.4%	39.8%	(1.5) points	2.6 points
Non-GAAP Adjusted Results					
Non-GAAP adjusted gross profit	$ 4,147	$ 4,002	$ 3,160	$ 145	$ 842
Non-GAAP adjusted gross margin	42.9%	44.1%	42.1%	(1.2) points	2.0 points

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below.

Gross profit and non-GAAP adjusted gross profit in fiscal 2015 increased compared to fiscal 2014, primarily due to higher net sales, while gross margin and non-GAAP adjusted gross margin decreased primarily due to unfavorable changes in product mix and the absence of a recovery of a regional customs duty assessment charge recorded in fiscal 2014.

Gross profit and gross margin and non-GAAP adjusted gross profit and non-GAAP adjusted gross margin increased in fiscal 2014 compared to fiscal 2013 primarily reflecting higher net sales, the recovery of a regional customs duty assessment charge recorded in fiscal 2013, sales of display and solar tools that had been previously written down, lower manufacturing costs and change in product mix. Gross profit and non-GAAP adjusted gross profit during fiscal 2015, 2014 and 2013 included $57 million, $53 million and $50 million, respectively, of share-based compensation expense.

Research, Development and Engineering

Research, development and engineering (RD&E) expenses for each fiscal year were as follows:

	2015	2014	2013	Change 2015 over 2014	Change 2014 over 2013
	(In millions)				
Research, development and engineering	$ 1,451	$ 1,428	$ 1,320	$ 23	$ 108

Applied’s future operating results depend to a considerable extent on its ability to maintain a competitive advantage in the equipment and service products it provides. Development cycles range from 12 to 36 months depending on whether the product is an enhancement of an existing product, which typically has a shorter development cycle, or a new product, which typically has a longer development cycle. Most of Applied’s existing products resulted from internal development activities and innovations involving new technologies, materials and processes. In certain instances, Applied acquires technologies, either in existing or new product areas, to complement its existing technology capabilities and to reduce time to market.

Management believes that it is critical to continue to make substantial investments in RD&E to assure the availability of innovative technology that meets the current and projected requirements of its customers’ most advanced designs. Applied has maintained and intends to continue its commitment to investing in RD&E in order to continue to offer new products and technologies.

In fiscal 2015, Applied increased its investments in new product growth in etch, chemical vapor deposition, high throughput atomic layer deposition, and next generation inspection technology. Applied’s investments in etch and chemical vapor deposition were focused on supporting the adoption of the etch Centris Sym 3 product and customer ramps of 3D NAND technology. Applied's investment in atomic layer deposition is yielding products to address customer needs for future nodes, and investments in inspection include a new e-beam inspection platform and improved brightfield capabilities.

RD&E expenses increased in fiscal 2015 compared to the prior year and also in fiscal 2014 compared to fiscal 2013, reflecting the impact of ongoing product development initiatives. As part of its growth strategy, Applied continued to reprioritize existing spend, to enable increased funding for investments in technical capabilities and critical RD&E programs in current and new markets, with a focus on semiconductor technologies. RD&E expense during fiscal 2015, 2014 and 2013 included $69 million, $66 million and $53 million, respectively, of share-based compensation expense.

Marketing and Selling

Marketing and selling expenses for each fiscal year were as follows:

	2015	2014	2013	Change: 2015 over 2014	Change: 2014 over 2013
			(In millions)		
Marketing and selling	$ 428	$ 423	$ 433	$ 5	$ (10)

Marketing and selling expenses remained relatively flat in fiscal 2015 compared to fiscal 2014 due to continued cost management efforts. The decrease in marketing and selling expenses for fiscal 2014 compared to fiscal 2013 was mainly due to headcount reductions. Marketing and selling expenses during fiscal 2015, 2014 and 2013 included $26 million, $23 million and $20 million, respectively, of share-based compensation expense.

General and Administrative

General and administrative expenses for each fiscal year were as follows:

	2015	2014	2013	Change: 2015 over 2014	Change: 2014 over 2013
			(In millions)		
General and administrative	$ 455	$ 497	$ 458	$ (42)	$ 39

General and administrative (G&A) expenses for fiscal 2015 decreased compared to fiscal 2014 primarily due to lower acquisition-related and integration costs related to the terminated business combination with TEL, which was terminated in April 2015, and continued cost management efforts. G&A expenses for fiscal 2014 increased compared to fiscal 2013 primarily due to integration planning costs associated with the terminated business combination with TEL, partially offset by proceeds from a favorable litigation outcome. G&A expenses during fiscal 2015, 2014 and 2013 included $35 million, $35 million and $34 million, respectively, of share-based compensation expense.

Loss (Gain) on Derivatives Associated with Terminated Business Combination

	2015	2014	2013	Change: 2015 over 2014	Change: 2014 over 2013
			(In millions)		
Loss (gain) on derivatives associated with terminated business combination	$ (89)	$ (30)	$ 7	$ (59)	$ (37)

Changes in gain or loss on derivatives associated with the terminated business combination with TEL resulted from the sale of derivative contracts and exchange rate fluctuations. Due to the termination of the proposed business combination, the derivatives were sold during the third quarter of fiscal 2015. For further details, see Note 5 of Notes to Consolidated Financial Statements.

Impairment of Goodwill and Intangible Assets

In the fourth quarter of fiscal 2015 and 2014, Applied performed a qualitative assessment to test goodwill for all of its reporting units for impairment. Applied determined that it was more likely than not that each of its reporting units' fair values exceeded its respective carrying values and that it was not necessary to perform the two-step goodwill impairment test for any of its reporting units.

During fiscal 2013, the solar industry faced continued deterioration in market conditions associated with manufacturing overcapacity and weak operating performance and outlook, resulting in uncertainties regarding the timing and nature of a recovery in solar capital equipment expenditures. Applied performed a two-step goodwill impairment test and, as a result, recorded $224 million of goodwill impairment charges in its Energy and Environmental Solutions segment in fiscal 2013. Applied also recorded a $54 million impairment charge related to intangible assets in the Energy and Environmental Solutions segment in fiscal 2013.

The evaluation of goodwill and intangible assets for impairment requires the exercise of significant judgment. In the event of future changes in business conditions, Applied will reassess and update its forecasts and estimates used in future impairment analyses. If the results of these analyses are lower than current estimates, a material impairment charge may result at that time.

For further details, see Note 9 of Notes to Consolidated Financial Statements.

Restructuring and Asset Impairments

Restructuring and asset impairment expenses for each fiscal year were as follows:

	2015	2014	2013	Change: 2015 over 2014	Change: 2014 over 2013
			(In millions)		
Restructuring and asset impairments, net	$ 14	$ 5	$ 63	$ 9	$ (58)

The increase in restructuring and asset impairments, net for fiscal 2015 compared to fiscal 2014 was primarily due to the cost reduction measures in the solar business taken during fiscal 2015 to achieve a lower break-even level and improve business performance. The decrease in restructuring and asset impairments, net for fiscal 2014 compared to fiscal 2013 was due to completion of the principal activities for the previously announced restructuring plans. Also in fiscal 2013, Applied incurred $2 million of severance and other employee-related costs in connection with the integration of Varian Semiconductor Equipment Associates, Inc.

On October 3, 2012, Applied announced a restructuring plan (the 2012 Global Restructuring Plan) to realign its global workforce and enhance its ability to invest for growth. Under this plan, Applied implemented a voluntary retirement program and other workforce reduction actions that affected approximately 1,300 positions. As of January 26, 2014, principal activities related to this plan were complete. During fiscal 2014 and 2013, Applied recognized $5 million and $39 million, respectively, of employee-related costs in connection with the 2012 Global Restructuring Plan. Total costs incurred in implementing this plan were $150 million, none of which were allocated to the operating segments.

On May 10, 2012, Applied announced a plan (the 2012 EES Restructuring Plan) to restructure its Energy and Environmental Solutions segment in light of challenging industry conditions affecting the solar photovoltaic and light-emitting diode (LED) equipment markets. Total costs incurred in implementing this plan were $87 million, of which $13 million were inventory-related charges. During fiscal 2015, Applied recorded a favorable adjustment of $2 million associated with restructuring reserves under this program. During fiscal 2013, Applied recognized $26 million, of restructuring and asset impairment charges in connection with the 2012 EES Restructuring Plan. These costs were reported in the Energy and Environmental Solutions and Applied Global Services segments.

For further details, see Note 11 of Notes to Consolidated Financial Statements.

Interest Expense and Interest and Other Income, net

Interest expense and interest and other income, net for each fiscal year were as follows:

	2015	2014	2013	Change: 2015 over 2014	Change: 2014 over 2013
			(In millions)		
Interest expense	$ 103	$ 95	$ 95	$ 8	$ —
Interest and other income, net	$ 8	$ 23	$ 13	$ (15)	$ 10

Interest expenses incurred during the past three fiscal years were primarily associated with senior unsecured notes that were issued in June 2011 to fund a portion of the consideration and certain costs associated with the acquisition of Varian. Interest expense for fiscal 2015 increased compared to fiscal 2014 due to the issuance of senior unsecured notes in the aggregate principal amount of $1.8 billion in September 2015. Interest expense remained flat during fiscal 2014 compared to fiscal 2013.

Interest income primarily includes interest earned on cash and investments and realized gains on sale of securities. Interest and other income, net, decreased in fiscal 2015 compared to fiscal 2014 primarily due to lower realized gains on sales of strategic investments in fiscal 2015. Interest and other income, net, increased in fiscal 2014 compared to fiscal 2013 primarily due to an increase in realized gains on sales of securities recorded during fiscal 2014, partially offset by increased impairments of strategic investments.

Income Taxes

The provision for income taxes and effective tax rates for each fiscal year were as follows:

	2015	2014	2013	Change 2015 over 2014	Change 2014 over 2013
	(In millions, except percentages)				
Provision for income taxes	$ 221	$ 376	$ 94	$ (155)	$ 282
Effective income tax rate	13.8%	26.0%	26.9%	(12.2) points	(0.9) points

Applied's effective tax rate is affected by the geographical composition of income, which includes jurisdictions with income tax incentives and differing tax rates. It is also affected by events that are not consistent from period to period, such as changes in income tax laws and regulations and the resolution of income tax filings.

The effective tax rate for fiscal 2015 was lower than the rate for fiscal 2014 primarily due to acquisition costs that became deductible in the second quarter of fiscal 2015 as a result of the termination of the proposed business combination with TEL, an adjustment in the second quarter of fiscal 2015 to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, reinstatement of the U.S. federal research and development tax credit during the first quarter of fiscal 2015 which was retroactive to its expiration in December 2013, resolutions and changes related to income tax liabilities for prior years, and changes in the geographical composition of income.

The effective tax rate for fiscal 2014 was lower than the rate for fiscal 2013 due primarily to nondeductible goodwill impairment charges in fiscal 2013, offset by resolutions and changes related to prior years and expiration of the U.S. federal research and development tax credit.

Segment Information

Applied reports financial results in four segments: Silicon Systems, Applied Global Services, Display, and Energy and Environmental Solutions. A description of the products and services, as well as financial data, for each reportable segment can be found in Note 16 of Notes to Consolidated Financial Statements. Applied does not allocate to its reportable segments certain operating expenses that it manages separately at the corporate level. These unallocated costs include costs for share-based compensation; certain management, finance, legal, human resource, and RD&E functions provided at the corporate level; and unabsorbed information technology and occupancy. In addition, Applied does not allocate to its reportable segments restructuring and asset impairment charges and any associated adjustments related to restructuring actions, unless these actions pertain to a specific reportable segment.

The results for each reportable segment are discussed below.

Silicon Systems Segment

The Silicon Systems segment includes semiconductor capital equipment for deposition, etch, ion implantation, rapid thermal processing, chemical mechanical planarization, metrology and inspection, and wafer packaging. Development efforts are focused on solving customers' key technical challenges in transistor, patterning, interconnect and packaging performance as devices scale to advanced technology nodes. The mobility trend remains the largest influence on industry spending, as it drives device manufacturers to continually improve their ability to deliver high-performance, low-power processors and affordable solid-state storage in a small form factor.

The competitive environment for Silicon Systems in fiscal 2015 reflected continued investment by semiconductor manufacturers. Memory manufacturers increased investments in technology upgrades and additional capacity. Foundry investments reflected demand for new technology as customers ramp wafer starts at advanced nodes to meet demand for advanced mobile chips, but decreased primarily due to customers managing excess inventory, improving yields and re-using equipment.

Certain significant measures for each fiscal year were as follows:

				Change			
	2015	2014	2013	2015 over 2014		2014 over 2013	
			(In millions, except percentages and ratios)				
New orders	$ 6,581	$ 6,132	$ 5,507	$ 449	7%	$ 625	11%
Net sales	6,135	5,978	4,775	157	3%	1,203	25%
Book to bill ratio	1.1	1.0	1.2				
Operating income	1,410	1,391	876	19	1%	515	59%
Operating margin	23.0%	23.3%	18.3%		(0.3) points		5.0 points
Non-GAAP Adjusted Results							
Non-GAAP adjusted operating income	1,588	1,565	$ 1,050	23	1%	515	49%
Non-GAAP adjusted operating margin	25.9%	26.2%	22.0%		(0.3) points		4.2 points

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below.

The composition of new orders for Silicon Systems by end use application for the past three fiscal years was as follows:

	2015	2014	2013
Foundry	34%	52%	58%
Memory	53%	35%	27%
Logic and other	13%	13%	15%
	100%	100%	100%

One region accounted for at least 30 percent of total net sales for the Silicon Systems segment for one or more of the past three fiscal years:

	2015	2014	2013	Change 2015 over 2014		Change 2014 over 2013	
	(In millions, except percentages)						
Taiwan	$ 1,982	$ 2,186	$ 2,171	$ (204)	(9)%	$ 15	1%

Customers in Taiwan accounted for 32 percent, 37 percent and 45 percent of total net sales for Silicon Systems in fiscal 2015, 2014 and 2013, respectively. Customers in the United States, China and Korea together contributed 47 percent, 47 percent and 37 percent of the total net sales for this segment in fiscal 2015, 2014 and 2013, respectively.

Financial results in the Silicon Systems segment for fiscal 2015 reflected continued wafer fabrication equipment spending in the semiconductor industry. The increase in new orders and net sales in fiscal 2015 compared to fiscal 2014 primarily reflected increased demand and spending from memory customers, partially offset by lower demand and spending from foundry customers. Two customers accounted for approximately 41 percent of net sales and three customers accounted for 53 percent of new orders in this segment in fiscal 2015. Operating income and non-GAAP adjusted operating income for fiscal 2015 increased compared to fiscal 2014, reflecting the increase in net sales, partially offset by changes in product mix and higher research and development expenses.

The increase in new orders and net sales in fiscal 2014 compared to fiscal 2013 primarily reflected increased demand and spending from memory customers, as well as continued demand from foundry customers. Three customers accounted for approximately 54 percent of net sales and three customers accounted for 75 percent of new orders in this segment in fiscal 2014. Operating income and non-GAAP adjusted operating income for fiscal 2014 increased compared to fiscal 2013, reflecting the increase in net sales, partially offset by changes in product mix and higher research and development expenses.

Applied Global Services Segment

The Applied Global Services segment encompasses integrated solutions to optimize equipment and fab performance and productivity, including spares, upgrades, services, remanufactured earlier generation equipment and factory automation software for semiconductor, display and solar products. Customer demand for products and services is fulfilled through a global distribution system with trained service engineers located in close proximity to customer sites.

Industry conditions that affected Applied Global Services' sales of spares and services during fiscal 2015 were principally semiconductor manufacturers' wafer starts, as well as utilization rates.

Certain significant measures for each fiscal year were as follows:

	2015	2014	2013	Change 2015 over 2014		Change 2014 over 2013	
	(In millions, except percentages and ratios)						
New orders	$ 2,653	$ 2,433	$ 2,090	$ 220	9%	$ 343	16%
Net sales	2,531	2,200	2,023	331	15%	177	9%
Book to bill ratio	1.0	1.1	1.0				
Operating income	664	573	436	91	16%	137	31%
Operating margin	26.2%	26.0%	21.6%		0.2 points		4.4 points
Non-GAAP Adjusted Results							
Non-GAAP adjusted operating income	667	576	443	91	16%	133	30%
Non-GAAP adjusted operating margin	26.4%	26.2%	21.9%		0.2 points		4.3 points

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below.

There were no individual regions that accounted for at least 30 percent of total net sales for the Applied Global Services segment for any of the past three fiscal years.

New orders and net sales for fiscal 2015 increased compared to fiscal 2014 mainly due to higher demand for semiconductor spares and services, and 200mm equipment systems. Operating income, operating margin, non-GAAP adjusted operating income, and non-GAAP adjusted operating margin increased in fiscal 2015 compared fiscal 2014, reflecting the increase in net sales, which was partially offset by unfavorable product mix and the absence of a recovery of a regional customs duty assessment charge recorded in fiscal 2014.

New orders and net sales for fiscal 2014 increased compared to fiscal 2013 mainly due to increased demand for semiconductor spares and services, as well as 200mm equipment systems and equipment upgrades. Operating income and non-GAAP adjusted operating income increased in fiscal 2014 compared to the prior year, reflecting the increase in net sales as well as the recovery of a regional customs duty assessment charge recorded in fiscal 2013.

Display Segment

The Display segment encompasses products for manufacturing liquid crystal displays (LCDs), organic light-emitting diodes (OLEDs), and other display technologies for TVs, personal computers (PCs), tablets, smart phones, and other consumer-oriented devices. The segment is focused on expanding its presence through technologically-differentiated equipment for manufacturing large-scale TVs; new markets such as low temperature polysilicon (LTPS), metal oxide, and touch panel sectors; and development of products that enable cost reductions through productivity and uniformity. Display industry growth depends primarily on consumer demand for increasingly larger and more advanced LCD TVs and high resolution displays for next generation mobile devices.

The market environment for Applied's Display segment in fiscal 2015 has been characterized by continued demand for manufacturing equipment for TV and high-end mobile devices, although this sector remains susceptible to highly cyclical conditions. Uneven order and revenue patterns in the Display segment can cause significant fluctuations quarter-over-quarter, as well as year-over year.

Certain significant measures for each fiscal year were as follows:

				Change			
	2015	2014	2013	2015 over 2014		2014 over 2013	
	(In millions, except percentages and ratios)						
New orders	$ 717	$ 845	$ 703	$ (128)	(15)%	$ 142	20%
Net sales	780	615	538	165	27%	77	14%
Book to bill ratio	0.9	1.4	1.3				
Operating income	156	129	74	27	21%	55	74%
Operating margin	20.0%	21.0%	13.8%		(1.0) points		7.2 points
Non-GAAP Adjusted Results							
Non-GAAP adjusted operating income	158	131	$ 80	27	21%	51	64%
Non-GAAP adjusted operating margin	20.3%	21.3%	14.9%		(1.0) points		6.4 points

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below.

The following regions accounted for at least 30 percent of total net sales for the Display segment for one or more of the past three fiscal years:

	2015	2014	2013	Change 2015 over 2014		Change 2014 over 2013	
	(In millions, except percentages)						
China	$ 587	$ 491	$ 260	$ 96	20%	$ 231	89%
Korea	$ 140	$ 99	$ 175	$ 41	41%	$ (76)	(43)%

In fiscal 2015, 2014 and 2013, customers in China accounted for 75 percent, 80 percent and 48 percent, respectively, of the Display segment's total net sales. Customers in Korea accounted for 18 percent, 16 percent and 32 percent of total net sales for the Display segment in fiscal 2015, 2014 and 2013, respectively. The increase in net sales from customers in China reflected TV manufacturing capacity expansion, while the increase in net sales from customers in Korea increasingly related to sales of mobile display manufacturing equipment.

New orders for fiscal 2015 decreased compared to fiscal 2014 primarily due to lower TV manufacturing equipment orders, while net sales for fiscal 2015 were higher due to the timing of shipments. Operating income and non-GAAP adjusted operating income increased for fiscal 2015 from fiscal 2014, reflecting higher net sales. Operating margin and non-GAAP adjusted operating margin decreased, despite the increase in net sales, primarily due to unfavorable product mix, increased research and development expenses and the sale of tools in fiscal 2014 for which inventory had been previously fully reserved. Four customers accounted for approximately 65 percent of new orders for the Display segment in fiscal 2015, with two customers accounting for approximately 37 percent of new orders. Four customers accounted for approximately 79 percent of net sales for this segment in fiscal 2015, with two customers accounting for approximately 46 percent of net sales.

New orders and net sales for fiscal 2014 increased compared to fiscal 2013, reflecting strong TV manufacturing capacity expansions. Operating income and non-GAAP adjusted operating income increased over the prior year, due primarily to higher net sales, sales of tools for which inventory had been written down previously, better installation and warranty performance, and material and manufacturing cost reductions, partially offset by increased research and development expenses. Four customers accounted for approximately 87 percent of new orders for the Display segment in fiscal 2014, with two customers accounting for approximately 50 percent of new orders. Four customers accounted for approximately 77 percent of net sales for this segment in fiscal 2014, with one customer accounting for approximately 40 percent of net sales.

Energy and Environmental Solutions Segment

The Energy and Environmental Solutions segment includes products for fabricating crystalline-silicon (c-Si) solar PV wafers and cells, as well as high throughput roll-to-roll deposition equipment for flexible electronics, packaging and other applications. While end-demand for solar PVs has been robust over the last several years, investment in capital equipment has remained low as global PV production capacity exceeds anticipated demand.

Certain significant measures for each fiscal year were as follows:

	2015	2014	2013	Change			
				2015 over 2014		2014 over 2013	
	(In millions, except percentages and ratios)						
New orders	$ 153	$ 238	$ 166	$ (85)	(36)%	$ 72	43%
Net sales	213	279	173	(66)	(24)%	106	61%
Book to bill ratio	0.7	0.9	1.0				
Operating income (loss)	(61)	15	(433)	(76)	(507)%	448	103%
Operating margin	(28.6)%	5.4%	(250.3)%		(34.0) points		255.7 points
Non-GAAP Adjusted Results							
Non-GAAP adjusted operating income (loss)	(10)	21	(115)	(31)	(148)%	136	118%
Non-GAAP adjusted operating margin	(4.7)%	7.5%	(66.5)%		(12.2) points		74.0 points

Reconciliations of non-GAAP adjusted measures are presented under "Non-GAAP Adjusted Results" below.

The following regions accounted for at least 30 percent of total net sales for the Energy and Environmental Solutions segment for one or more of these recent fiscal periods:

	2015	2014	2013	Change			
				2015 over 2014		2014 over 2013	
	(In millions, except percentages)						
China	$ 71	$ 173	$ 100	$ (102)	(59)%	$ 73	73%

In fiscal 2015, 2014 and 2013, customers in China accounted for 33 percent, 62 percent and 58 percent, respectively, of total net sales for the Energy and Environmental Solutions segment.

Financial results during fiscal 2015 remained at low levels due to continued excess manufacturing capacity in the solar industry, which resulted in low levels of new orders and net sales, and consequently an operating loss for the segment. Two customers accounted for approximately 20 percent of net sales for this segment during fiscal 2015. Operating loss for fiscal 2015 included $17 million in restructuring charges and asset impairments and $32 million of inventory charges recorded in cost of products sold, related to cost reduction measures taken in the third quarter of fiscal 2015. Details on restructuring charges and asset impairments are included in Note 11 of the Notes to the Consolidated Financial Statements.

New orders and net sales for fiscal 2014 increased compared to fiscal 2013 but remained at low levels, reflecting excess manufacturing capacity in the solar industry. One customer accounted for approximately 23 percent of net sales for this segment during fiscal 2014. Operating margin and non-GAAP adjusted operating margin increased for fiscal 2014 compared to prior year, reflecting increased net sales, lower inventory charges, sales of solar tools that were written down previously and continued cost reduction measures, proceeds from a favorable litigation outcome, and spending controls.

Business Combinations

Tokyo Electron Limited

On September 24, 2013, Applied and TEL entered into a Business Combination Agreement, which was intended to effect a strategic combination of their respective businesses into a new combined company, and was subject to regulatory approvals. On April 26, 2015, Applied and TEL announced that they had mutually agreed to terminate the Business Combination Agreement. No termination fee was payable by either Applied or TEL.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on Applied's consolidated financial statements, see Note 1, “Summary of Significant Accounting Policies,” of the Notes to Consolidated Financial Statements.

Financial Condition, Liquidity and Capital Resources

Applied’s cash, cash equivalents and investments increased to $5.9 billion at October 25, 2015 from $4.1 billion at October 26, 2014.

Cash, cash equivalents and investments consisted of the following:

	October 25, 2015	October 26, 2014
	(In millions)	
Cash and cash equivalents	$ 4,797	$ 3,002
Short-term investments	168	160
Long-term investments	946	935
Total cash, cash-equivalents and investments	$ 5,911	$ 4,097

Sources and Uses of Cash

A summary of cash provided by (used in) operating, investing, and financing activities was as follows:

	2015	2014	2013
		(In millions)	
Cash provided by operating activities	$ 1,163	$ 1,800	$ 623
Cash provided by (used in) investing activities	$ (281)	$ (161)	$ 215
Cash provided by (used in) financing activities	$ 913	$ (348)	$ (519)

Operating Activities

Cash from operating activities for fiscal 2015 was $1.2 billion, which reflects net income adjusted for the effect of non-cash charges and changes in working capital components. Non-cash charges included depreciation, amortization, share-based compensation, restructuring and asset impairments and deferred income taxes. The primary drivers of the decrease in cash from operating activities from fiscal 2014 to fiscal 2015 were the increases in inventories and deferred income taxes and decreases in accounts payable, accrued expenses, customer deposits, deferred revenue and income taxes payable, partially offset by higher net income. The increase in cash from operating activities from fiscal 2013 to fiscal 2014 was primarily due to higher business volume and improved working capital performance.

Applied did not utilize programs to discount letters of credit issued by customers in fiscal 2015 and 2013. Applied discounted $29 million of letters of credit issued by customers in fiscal 2014. Discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements. Applied did not factor accounts receivable nor discounted promissory notes in fiscal 2015 and 2013. Applied factored accounts receivable and discounted promissory notes of $45 million in fiscal 2014.

Applied’s working capital was $5.5 billion at October 25, 2015 and $4.1 billion at October 26, 2014.

Days sales, inventory and payable outstanding at the end of each of the periods indicated were:

	2015	2014	2013
Days sales outstanding	67	67	75
Days inventory outstanding	118	109	108
Days payable outstanding	42	43	44

Days sales outstanding varies due to the timing of shipments and the payment terms. Days sales outstanding remained flat at the end of fiscal 2015 compared to fiscal 2014. The decrease for fiscal 2014 compared to fiscal 2013 was primarily due to an increase in revenue and better linearity. Days inventory outstanding increased at the end of fiscal 2015 reflecting higher inventory near the end of the period due to increase in deferred inventory and more builds as compared to revenue turns. Days inventory outstanding remained flat in fiscal 2014 and 2013. Days payable outstanding remained relatively flat in fiscal 2015, 2014 and 2013.

Investing Activities

Applied used $281 million of cash in investing activities in fiscal 2015 and $161 million in fiscal 2014. Applied generated $215 million in cash from investing activities in fiscal 2013. Capital expenditures in fiscal 2015, 2014 and 2013 were $215 million, $241 million and $197 million, respectively. Capital expenditures in fiscal 2015 were primarily for demonstration and test equipment and laboratory tools in North America. Capital expenditures in fiscal 2014 were primarily for demonstration and test equipment and infrastructure improvements in North America, including creation of a new pilot operation facility and distribution center. Capital expenditures in fiscal 2013 were primarily for demonstration and test equipment as well as laboratory tools and equipment upgrades in North America. Purchases of investments, net of proceeds from sales and maturities of investments was $62 million for fiscal 2015 and proceeds from sales and maturities of investments, net of purchases of investments totaled $67 million and $406 million in fiscal 2014 and 2013, respectively. Investing activities also included investments in technology to allow Applied to access new market opportunities or emerging technologies.

Applied’s investment portfolio consists principally of investment grade money market mutual funds, U.S. Treasury and agency securities, municipal bonds, corporate bonds and mortgage-backed and asset-backed securities, as well as equity securities. Applied regularly monitors the credit risk in its investment portfolio and takes appropriate measures, which may include the sale of certain securities, to manage such risks prudently in accordance with its investment policies.

Financing Activities

Applied generated $913 million of cash from financing activities in fiscal 2015, consisting primarily of net proceeds received from the issuance of senior unsecured notes of $1.8 billion and short-term borrowings by a wholly-owned foreign subsidiary of $800 million, offset by cash used for repurchases of its common stock of $1.3 billion and payment of cash dividends of $487 million. Applied used cash in financing activities in fiscal 2014 and 2013 of $348 million and $519 million, respectively, which included payment of cash dividends to stockholders and issuances of common stock. Applied made no repurchases of its common stock in fiscal 2014 and used cash to repurchase shares of its common stock in fiscal 2013 of $245 million. On April 26, 2015, Applied's Board of Directors approved a common stock repurchase program authorizing up to $3.0 billion in repurchases over the three years ending April 2018. At October 25, 2015, $1.7 billion remained available for future stock repurchases under this repurchase program. Applied's prior stock repurchase program ended in March 2015. Proceeds from stock issuances under equity compensation awards and related excess tax benefits in fiscal 2015, 2014 and 2013 were $144 million, $137 million and $182 million, respectively.

During each of fiscal 2015 and 2014, Applied’s Board of Directors declared four quarterly cash dividends of $0.10 per share. During fiscal 2013, Applied’s Board of Directors declared three quarterly cash dividends of $0.10 per share and one quarterly cash dividend of $0.09 per share. Cash paid in dividends during fiscal 2015, 2014 and fiscal 2013 amounted to $487 million, $485 million and $456 million, respectively. Applied currently anticipates that cash dividends will continue to be paid on a quarterly basis, although the declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on Applied’s financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board of Directors that cash dividends are in the best interests of Applied’s stockholders.

Applied has credit facilities for unsecured borrowings in various currencies of up to $1.6 billion. In September 2015, Applied entered into a $1.5 billion committed revolving credit agreement with a group of banks that is scheduled to expire in September 2020. This credit agreement provides for borrowings in United States dollars at interest rates keyed to one of various benchmark rates selected by Applied for each advance, plus a margin based on Applied's public debt rating, and includes financial and other covenants with which Applied was in compliance at October 25, 2015. Remaining credit facilities in the amount of approximately $67 million are with Japanese banks. Applied’s ability to borrow under these facilities is subject to bank approval at the time of the borrowing request, and any advances will be at rates indexed to the banks’ prime reference rate denominated in Japanese yen. No amounts were outstanding under any of these facilities at both October 25, 2015 and October 26, 2014, and Applied has not utilized these credit facilities.

In fiscal 2011, Applied established a short-term commercial paper program of up to $1.5 billion. At October 25, 2015 and October 26, 2014, Applied did not have any commercial paper outstanding, but may issue commercial paper notes under this program from time to time in the future.

In September 2015, Applied issued senior unsecured notes in the aggregate principal amount of $1.8 billion. The indenture governing the notes includes certain covenants with which Applied was in compliance at October 25, 2015. In November 2015, Applied completed the redemption of the entire outstanding $400 million in principal amount of senior notes due in 2016. The redemption price was $405 million, and after adjusting for the carrying value of the debt issuance costs and discounts, Applied recorded a $5 million loss on the prepayment of the $400 million debt, which will be included in non-operating loss in the Consolidated Statement of Operations for the first quarter of fiscal 2016. See Note 10 of Notes to Consolidated Financial Statements for additional discussion of long-term debt. In October 2015, a wholly-owned foreign subsidiary of Applied entered into a short-term loan agreement, guaranteed by Applied, under which it borrowed $800 million to facilitate the return of capital to Applied.

Others

During fiscal 2015, 2014 and 2013, Applied did not record any additional bad debt provision but released $9 million, $16 million and $13 million, respectively, of its allowance for doubtful accounts as a result of an overall lower risk profile of Applied's customers. While Applied believes that its allowance for doubtful accounts at October 25, 2015 is adequate, it will continue to closely monitor customer liquidity and economic conditions.

As of October 25, 2015, approximately $2.7 billion of cash, cash equivalents, and marketable securities held by foreign subsidiaries may be subject to U.S. taxes if repatriated for U.S. operations. Of this amount, Applied intends to indefinitely reinvest approximately $2.3 billion of these funds outside of the U.S. and does not plan to repatriate these funds. For the remaining cash, cash equivalents and marketable securities held by foreign subsidiaries, U.S. taxes have been provided for in the financial statements.

Although cash requirements will fluctuate based on the timing and extent of factors such as those discussed above, Applied’s management believes that cash generated from operations, together with the liquidity provided by existing cash balances and borrowing capability, will be sufficient to satisfy Applied’s liquidity requirements for the next 12 months. For further details regarding Applied’s operating, investing and financing activities, see the Consolidated Statements of Cash Flows in this report.

For details on standby letters of credit and other agreements with banks, see Off-Balance Sheet Arrangements below.

Off-Balance Sheet Arrangements

In the ordinary course of business, Applied provides standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated by either Applied or its subsidiaries. As of October 25, 2015, the maximum potential amount of future payments that Applied could be required to make under these guarantee agreements was approximately $58 million. Applied has not recorded any liability in connection with these guarantee agreements beyond that required to appropriately account for the underlying transaction being guaranteed. Applied does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these guarantee agreements.

Applied also has agreements with various banks to facilitate subsidiary banking operations worldwide, including overdraft arrangements, issuance of bank guarantees, and letters of credit. As of October 25, 2015, Applied Materials Inc. has provided parent guarantees to banks for approximately $100 million to cover these arrangements.

Applied also has operating leases for various facilities. Total rent expense for fiscal 2015, 2014 and 2013 was $32 million, $37 million and $36 million, respectively.

Contractual Obligations

The following table summarizes Applied's contractual obligations as of October 25, 2015:

	Payments Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(In millions)		
Debt obligations	$ 4,550	$ 1,200	$ 200	$ 600	$ 2,550
Interest expense associated with debt obligations	2,010	164	286	272	1,288
Operating lease obligations	61	25	24	8	4
Purchase obligations[1]	1,275	1,235	40	—	—
Other long-term liabilities[2,3]	20	—	5	2	13
Total	$ 7,916	$ 2,624	$ 555	$ 882	$ 3,855

1 Represents Applied's agreements to purchase goods and services consisting of Applied's outstanding purchase orders for goods and services.

2 Other long-term liabilities in the table do not include pension, post-retirement and deferred compensation plans due to the uncertainty in the timing of future payments. Applied evaluates the need to make contributions to its pension and post-retirement benefit plans after considering the funded status of the plans, movements in the discount rate, performance of the plan assets and related tax consequences. Payments to the plans would be dependent on these factors and could vary across a wide range of amounts and time periods. Payments for deferred compensation plans are dependent on activity by participants, making the timing of payments uncertain. Information on Applied's pension, post-retirement benefit and deferred compensation plans is presented in Note 13, Employee Benefit Plans, of the consolidated financial statements.

3 Other long-term liabilities in the table do not include noncurrent income taxes payable, noncurrent deferred income taxes payable and certain tax-related liabilities classified as other noncurrent liabilities on the balance sheet, due to the uncertainty in the timing and amount of future payments. As of October 25, 2015, the gross liability for unrecognized tax benefits that was not expected to result in payment of cash within one year was $177 million. Interest and penalties related to uncertain tax positions that were not expected to result in payment of cash within one year of October 25, 2015 and October 26, 2014 were $14 million and $25 million, respectively.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported. Note 1 of Notes to Consolidated Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements. Certain of these significant accounting policies are considered to be critical accounting policies.

A critical accounting policy is defined as one that is both material to the presentation of Applied's consolidated financial statements and that requires management to make difficult, subjective or complex judgments that could have a material effect on Applied's financial condition or results of operations. Specifically, these policies have the following attributes: (1) Applied is required to make assumptions about matters that are highly uncertain at the time of the estimate; and (2) different estimates Applied could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on Applied's financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. Applied bases its estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as Applied's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. These uncertainties include those discussed in Part I, Item 1A, "Risk Factors." Based on a critical assessment of its accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that Applied's consolidated financial statements are fairly stated in accordance with accounting principles generally accepted in the United States of America, and provide a meaningful presentation of Applied's financial condition and results of operations.

Management believes that the following are critical accounting policies and estimates:

Revenue Recognition

Applied recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; sales price is fixed or determinable; and collectability is probable. Each sale arrangement may contain commercial terms that differ from other arrangements. In addition, Applied frequently enters into contracts that contain multiple deliverables. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. Moreover, judgment is used in interpreting the commercial terms and determining when all criteria of revenue recognition have been met in order for revenue recognition to occur in the appropriate accounting period. While changes in the allocation of the estimated sales price between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition, which could have a material effect on Applied's financial condition and results of operations.

Warranty Costs

Applied provides for the estimated cost of warranty when revenue is recognized. Estimated warranty costs are determined by analyzing specific product, current and historical configuration statistics and regional warranty support costs. Applied's warranty obligation is affected by product and component failure rates, material usage and labor costs incurred in correcting product failures during the warranty period. As Applied's customer engineers and process support engineers are highly trained and deployed globally, labor availability is a significant factor in determining labor costs. The quantity and availability of critical replacement parts is another significant factor in estimating warranty costs. Unforeseen component failures or exceptional component performance can also result in changes to warranty costs. If actual warranty costs differ substantially from Applied's estimates, revisions to the estimated warranty liability would be required, which could have a material adverse effect on Applied's business, financial condition and results of operations.

Allowance for Doubtful Accounts

Applied maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. This allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues Applied has identified. Changes in circumstances, such as an unexpected material adverse change in a major customer's ability to meet its financial obligation to Applied or its payment trends, may require Applied to further adjust its estimates of the recoverability of amounts due to Applied, which could have a material adverse effect on Applied's business, financial condition and results of operations.

Inventory Valuation

Inventories are generally stated at the lower of cost or market, with cost determined on a first-in, first-out basis. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the estimated market value based upon assumptions about future demand. Applied evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, inventories are evaluated for potential obsolescence due to the effect of known and anticipated engineering change orders and new products. If actual demand were to be substantially lower than estimated, additional adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on Applied’s business, financial condition and results of operations.

Goodwill and Intangible Assets

Applied reviews goodwill and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also annually reviews goodwill and intangibles with indefinite lives for impairment. Intangible assets, such as purchased technology, are generally recorded in connection with a business acquisition. The value assigned to intangible assets is usually based on estimates and judgments regarding expectations for the success and life cycle of products and technology acquired. If actual product acceptance differs significantly from the estimates, Applied may be required to record an impairment charge to reduce the carrying value of the reporting unit to its estimated fair value.

To test goodwill for impairment, Applied first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, Applied then performs the two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Under the two-step goodwill impairment test, Applied would in the first step compare the estimated fair value of each reporting unit to its carrying value. If the carrying value of a reporting unit exceeds its estimated fair value, Applied would then perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. If Applied determines that the carrying value of a reporting unit’s goodwill exceeds its implied fair value, Applied would record an impairment charge equal to the difference.

Applied determines the fair value of each reporting unit based on a weighting of an income and a market approach. Applied bases the fair value estimates on assumptions that it believes to be reasonable but that are unpredictable and inherently uncertain. Under the income approach, Applied estimates the fair value based on discounted cash flow method.

The estimates used in the impairment testing are consistent with the discrete forecasts that Applied uses to manage its business, and considers any significant developments during the period. Under the discounted cash flow method, cash flows beyond the discrete forecasts are estimated using a terminal growth rate, which considers the long-term earnings growth rate specific to the reporting units. The estimated future cash flows are discounted to present value using each reporting unit's weighted average cost of capital. The weighted average cost of capital measures a reporting unit's cost of debt and equity financing weighted by the percentage of debt and equity in a reporting unit's target capital structure. In addition, the weighted average cost of capital is derived using both known and estimated market metrics, and is adjusted to reflect both the timing and risks associated with the estimated cash flows. The tax rate used in the discounted cash flow method is the median tax rate of comparable companies and reflects Applied's current international structure, which is consistent with the market participant perspective. Under the market approach, Applied uses the guideline company method which applies market multiples to forecasted revenues and earnings before interest, taxes, depreciation and amortization. Applied uses market multiples that are consistent with comparable publicly-traded companies and considers each reporting unit's size, growth and profitability relative to its comparable companies.

Management uses significant judgment when assessing goodwill for potential impairment, especially in emerging markets. Indicators of potential impairment include, but are not limited to, challenging economic conditions, an unfavorable industry or economic environment or other severe decline in market conditions. Such conditions could have the effect of changing one of the critical assumptions or estimates used for the fair value calculation, resulting in an unexpected goodwill impairment charge, which could have a material adverse effect on Applied’s business, financial condition and results of operations. See Note 9 of Notes to Consolidated Financial Statements for additional discussion of goodwill impairment.

Income Taxes

Applied’s effective tax rate is affected by the geographical composition of income and income tax laws and regulations in multiple jurisdictions.

Applied accounts for income taxes by recognizing deferred tax assets and liabilities using statutory tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carryovers. Deferred tax assets are also reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized. Management has determined that it is more likely than not that Applied’s future taxable income will be sufficient to realize its deferred tax assets, net of existing valuation allowance.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with Applied’s expectations could have a material impact on Applied’s results of operations and financial condition.

Non-GAAP Adjusted Results

Management uses non-GAAP adjusted results to evaluate operating and financial performance in light of business objectives and for planning purposes. Applied believes these measures enhance investors’ ability to review the Company’s business from the same perspective as management and facilitate comparisons of this period’s results with prior periods. The non-GAAP adjusted results presented below exclude the impact of the following, where applicable: certain items related to acquisitions; restructuring charges and any associated adjustments; impairments of assets, goodwill, or investments; gain or loss on sale of strategic investments or facilities; and certain discrete adjustments and tax items. These non-GAAP adjusted measures are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. The presentation of this additional information should not be considered a substitute for results prepared in accordance with GAAP.

The following tables present a reconciliation of the GAAP and non-GAAP adjusted consolidated results for the past three fiscal years:

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

(In millions, except percentages)	2015	2014	2013
Non-GAAP Adjusted Gross Profit			
Reported gross profit - GAAP basis	$ 3,952	$ 3,843	$ 2,991
Certain items associated with acquisitions[1]	162	158	166
Acquisition integration costs	—	1	3
Inventory charges related to restructuring[3]	35	—	—
Other significant gains, losses or charges, net[7]	(2)	—	—
Non-GAAP adjusted gross profit	$ 4,147	$ 4,002	$ 3,160
Non-GAAP adjusted gross margin	42.9%	44.1%	42.1%
Non-GAAP Adjusted Operating Income			
Reported operating income - GAAP basis	$ 1,693	$ 1,520	$ 432
Certain items associated with acquisitions[1]	185	183	201
Acquisition integration costs	2	34	38
Loss (gain) on derivatives associated with terminated business combination, net	(89)	(30)	7
Certain items associated with terminated business combination[2]	50	73	17
Restructuring, inventory charges and asset impairments[3,4]	49	5	63
Impairment of goodwill and intangible assets	—	—	278
Foreign exchange loss due to functional currency change[6]	19	—	—
Other significant gains, losses or charges, net[7]	(13)	(4)	(4)
Non-GAAP adjusted operating income	$ 1,896	$ 1,781	$ 1,032
Non-GAAP adjusted operating margin	19.6%	19.6%	13.7%
Non-GAAP Adjusted Net Income			
Reported net income - GAAP basis[5]	$ 1,377	$ 1,072	$ 256
Certain items associated with acquisitions[1]	185	183	201
Acquisition integration costs	2	34	38
Loss (gain) on derivatives associated with terminated business combination, net	(89)	(30)	7
Certain items associated with terminated business combination[2]	50	73	17
Restructuring, inventory charges and asset impairments[3,4]	49	5	63
Impairment of goodwill and intangible assets	—	—	278
Foreign exchange loss due to functional currency change[6]	19	—	—
Other significant gains, losses or charges, net[7]	(13)	(4)	(4)
Impairment (gain on sale) of strategic investments, net	4	(9)	1
Reinstatement of federal R&D tax credit, resolution of prior years' income tax filings and other tax items[5]	(110)	28	(37)
Income tax effect of non-GAAP adjustments	(17)	(38)	(102)
Non-GAAP adjusted net income	$ 1,457	$ 1,314	$ 718

1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

2 These items are incremental charges related to the terminated business combination agreement with Tokyo Electron Limited, consisting of acquisition-related and integration planning costs.

3 Results for fiscal 2015 primarily included $35 million of inventory charges, $17 million of restructuring charges and asset impairments related to cost reductions in the solar business, and a $2 million favorable adjustment of restructuring reserves related to prior restructuring plans.

4 Results for fiscal 2013 included $39 million of employee-related costs, net, related to the restructuring program announced on October 3, 2012, and restructuring and asset impairment charges of $26 million related to the restructuring program announced on May 10, 2012, partially offset by a favorable adjustment of $2 million related to other restructuring plans.

5 Amounts for fiscal 2015 included an adjustment to decrease the provision for income taxes by $28 million with a corresponding increase in net income, resulting in an increase in diluted earnings per share of $0.02. The adjustment was excluded in Applied's non-GAAP adjusted results and was made primarily to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, which resulted in overstating profitability in the U.S. and the provision for income taxes in immaterial amounts in each year since fiscal 2010.

6 Results for fiscal 2015 included a $19 million foreign exchange loss due to an immaterial correction of an error related to functional currency change.

7 These items are significant gains, losses, or charges during a period that are the result of isolated events or transactions which have not occurred frequently in the past and are not expected to occur regularly or be repeated in the future.

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

(In millions, except per share amounts)	**2015**	**2014**	**2013**
Non-GAAP Adjusted Earnings Per Diluted Share			
Reported earnings per diluted share - GAAP basis[1]	$ 1.12	$ 0.87	$ 0.21
Certain items associated with acquisitions	0.14	0.13	0.14
Acquisition integration costs	—	0.02	0.02
Gain on derivatives associated with terminated business combination, net	(0.05)	(0.02)	—
Certain items associated with terminated business combination	0.03	0.05	0.01
Impairment of goodwill and intangible assets	—	—	0.21
Restructuring, inventory charges and asset impairments	0.03	—	0.03
Foreign exchange loss due to functional currency change	0.02	—	—
Other significant gains, losses or charges, net	(0.01)	—	—
Reinstatement of federal R&D tax credit, resolution of prior years' income tax filings and other tax items[1]	(0.09)	0.02	(0.03)
Non-GAAP adjusted earnings per diluted share	$ 1.19	$ 1.07	$ 0.59
Weighted average number of diluted shares	1,226	1,231	1,219

1 Amounts for fiscal 2015 included an adjustment to decrease the provision for income taxes by $28 million with a corresponding increase in net income, resulting in an increase in diluted earnings per share of $0.02. The adjustment was excluded in Applied's non-GAAP adjusted results and was made primarily to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, which resulted in overstating profitability in the U.S. and the provision for income taxes in immaterial amounts in each year since fiscal 2010.

The following table presents a reconciliation of the GAAP and non-GAAP adjusted segment results for the past three fiscal years:

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

(In millions, except percentages)	2015	2014	2013
Silicon Systems Non-GAAP Adjusted Operating Income			
Reported operating income - GAAP basis	$ 1,410	$ 1,391	$ 876
Certain items associated with acquisitions[1]	178	172	175
Acquisition integration costs	—	2	(2)
Restructuring charges and asset impairments[3]	—	—	1
Non-GAAP adjusted operating income	$ 1,588	$ 1,565	$ 1,050
Non-GAAP adjusted operating margin	25.9 %	26.2%	22.0 %
AGS Non-GAAP Adjusted Operating Income			
Reported operating income - GAAP basis	$ 664	$ 573	$ 436
Certain items associated with acquisitions[1]	1	3	5
Restructuring, inventory charges and asset impairments[2, 3]	3	—	2
Other significant gains, losses or charges, net[4]	(1)	—	—
Non-GAAP adjusted operating income	$ 667	$ 576	$ 443
Non-GAAP adjusted operating margin	26.4 %	26.2%	21.9 %
Display Non-GAAP Adjusted Operating Income			
Reported operating income - GAAP basis	$ 156	$ 129	$ 74
Certain items associated with acquisitions[1]	2	2	6
Non-GAAP adjusted operating income	$ 158	$ 131	$ 80
Non-GAAP adjusted operating margin	20.3 %	21.3%	14.9 %
EES Non-GAAP Adjusted Operating Income (Loss)			
Reported operating income (loss) - GAAP basis	$ (61)	$ 15	$ (433)
Certain items associated with acquisitions[1]	4	6	15
Impairment of goodwill and intangible assets	—	—	278
Restructuring, inventory charges and asset impairments[2, 3]	47	—	25
Non-GAAP adjusted operating income (loss)	$ (10)	$ 21	$ (115)
Non-GAAP adjusted operating margin	(4.7)%	7.5%	(66.5)%

1 These items are incremental charges attributable to completed acquisitions, consisting of amortization of purchased intangible assets.

2 Results for fiscal 2015 primarily included $35 million of inventory charges, $17 million of restructuring charges and asset impairments related to cost reductions in the solar business, and a $2 million favorable adjustment of restructuring reserves related to prior restructuring plans.

3 Results for fiscal 2013 included restructuring and asset impairment charges of $26 million related to the restructuring program announced announced on May 10, 2012 and severance charges of $2 million related to the integration of Varian.

4 These items are significant gains, losses, or charges during a period that are the result of isolated events or transactions which have not occurred frequently in the past and are not expected to occur regularly or be repeated in the future.

Note: The reconciliation of GAAP and non-GAAP adjusted segment results above does not include certain operating expenses that are managed separately at the corporate level and certain expenses that are not absorbed by the segments, which are reported within corporate and unallocated costs and included in consolidated operating income.

Item 7A: *Quantitative and Qualitative Disclosures About Market Risk*

Applied is exposed to interest rate risk related to its investment portfolio and debt issuances. Applied's investment portfolio includes fixed-income securities with a fair value of approximately $1.0 billion at October 25, 2015. These securities are subject to interest rate risk and will decline in value if interest rates increase. Based on Applied's investment portfolio at October 25, 2015, an immediate 100 basis point increase in interest rates would result in a decrease in the fair value of the portfolio of approximately $16 million. While an increase in interest rates reduces the fair value of the investment portfolio, Applied will not realize the losses in the consolidated statement of operations unless the individual fixed-income securities are sold prior to recovery or the loss is determined to be other-than-temporary. At October 25, 2015, the carrying amount of long-term debt issued by Applied was $3.3 billion with an estimated fair value of $3.5 billion. A hypothetical decrease in interest rates of 100 basis points would result in an increase in the fair value of Applied's debt issuances of approximately $303 million at October 25, 2015.

Certain operations of Applied are conducted in foreign currencies, such as Japanese yen, euro, Israeli shekel and Taiwanese dollar. Applied enters into currency forward exchange and option contracts to hedge a portion of, but not all, existing and anticipated foreign currency denominated transactions generally expected to occur within the next 24 months. Gains and losses on these contracts are generally recognized in income at the time that the related transactions being hedged are recognized. Because the effect of movements in currency exchange rates on currency forward exchange and option contracts generally offsets the related effect on the underlying items being hedged, these financial instruments are not expected to subject Applied to risks that would otherwise result from changes in currency exchange rates. Applied does not use derivative financial instruments for trading or speculative purposes.

Item 8: *Financial Statements and Supplementary Data*

The consolidated financial statements required by this Item are set forth on the pages indicated at Item 15(a).

Item 9: *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A: *Controls and Procedures*

Disclosure Controls and Procedures

As of the end of the period covered by this report, management of Applied conducted an evaluation, under the supervision and with the participation of Applied's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Applied's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, Applied's Chief Executive Officer and Chief Financial Officer concluded that Applied's disclosure controls and procedures were effective as of the end of the period covered by this report in ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by Applied in such reports is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Applied's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of Applied's Chief Executive Officer and Chief Financial Officer, management of Applied conducted an evaluation of the effectiveness of Applied's internal control over financial reporting based upon the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, Applied's management concluded that Applied's internal control over financial reporting was effective as of October 25, 2015.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Form 10-K and, as part of the audit, has issued a report, included herein, on the effectiveness of Applied's internal control over financial reporting as of October 25, 2015.

Changes in Internal Control over Financial Reporting

During the fourth quarter of fiscal 2015, there were no changes in the internal control over financial reporting that materially affected, or are reasonably likely to materially affect, Applied's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Item 9B: *Other Information*

None

PART III

Item 10: ***Directors, Executive Officers and Corporate Governance***

Except for the information regarding executive officers required by Item 401 of Regulation S-K (which is included in Part I, Item 1 of this Annual Report on Form 10-K, under "Executive Officers of the Registrant") and code of ethics (which is set forth below), the information required by this item will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

Applied has implemented the Standards of Business Conduct, a code of ethics with which every person who works for Applied and every member of the Board of Directors is expected to comply. If any substantive amendments are made to the Standards of Business Conduct or any waiver is granted, including any implicit waiver, from a provision of the code to Applied's Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, Applied will disclose the nature of such amendment or waiver on its website or in a report on Form 8-K. The above information, including the Standards of Business Conduct, is available on Applied's website under the Governance section at *http://www.appliedmaterials.com/investor-relations.* This website address is intended to be an inactive, textual reference only. None of the materials on, or accessible through, this website is part of this report or is incorporated by reference herein.

Item 11: ***Executive Compensation***

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

Item 12: ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Except for the information regarding securities authorized for issuance under equity compensation plans (which is set forth below), the information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

The following table summarizes information with respect to equity awards under Applied's equity compensation plans as of October 25, 2015:

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(2)	(c) Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(In millions, except prices)		
Equity compensation plans approved by security holders	28	$ 15.06	146 (3)
Equity compensation plans not approved by security holders	— (4)	$ 5.79	9 (5)
Total	28	$ 12.45	155

(1) Includes only options, restricted stock units and performance shares outstanding under Applied's equity compensation plans, as no stock warrants or other rights were outstanding as of October 25, 2015.

(2) The weighted average exercise price calculation does not take into account any restricted stock units or performance shares as they have a de minimis purchase price.

(3) Includes 20 million shares of Applied common stock available for future issuance under the Applied Materials, Inc. Employees' Stock Purchase Plan. Of these 20 million shares, 2 million are subject to purchase during the purchase period in effect as of October 25, 2015.

(4) Includes options to purchase 0.4 million shares of Applied common stock assumed through various mergers and acquisitions, after giving effect to the applicable exchange ratios. The assumed options had a weighted average exercise price of $5.79 per share. No further shares are available for issuance under the plans under which these assumed awards were granted.

(5) Includes 9 million shares of Applied common stock available for future issuance under the Applied Materials, Inc. Stock Purchase Plan for Offshore Employees. Of these 9 million shares, 1 million are subject to purchase during the purchase period in effect as of October 25, 2015.

Applied has the following equity compensation plans that have not been approved by stockholders:

Stock Purchase Plan for Offshore Employees. The Stock Purchase Plan for Offshore Employees (the Offshore ESPP) was adopted effective as of October 16, 1995 for the benefit of employees of Applied's participating affiliates. The Offshore ESPP provides for the grant of options to purchase shares of Applied common stock through payroll deductions pursuant to one or more offerings. The administrator of the Offshore ESPP (the Board of Directors of Applied or a committee appointed by the Board) determines the terms and conditions of all options prior to the start of an offering, including the purchase price of shares, the number of shares covered by the option and when the option may be exercised. All options granted as part of an offering must be granted on the same date. As of October 25, 2015, a total of 36 million shares have been authorized for issuance under the Offshore ESPP, and 9 million shares remain available for issuance.

Applied Materials Profit Sharing Scheme. The Applied Materials Profit Sharing Scheme was adopted effective July 3, 1996 to enable employees of Applied Materials Ireland Limited and its participating subsidiaries to purchase Applied common stock at 100% of fair market value on the purchase date. Under this plan, eligible employees may elect to forego a certain portion of their base salary and certain bonuses they have earned and that otherwise would be payable in cash to purchase shares of Applied common stock at full fair market value. Since the eligible employees pay full fair market value for the shares, there is no reserved amount of shares under this plan and, accordingly, the table above does not include any set number of shares available for future issuance under the plan.

Item 13: ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

Item 14: ***Principal Accounting Fees and Services***

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than February 22, 2016.

PART IV

Item 15: ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Applied Materials, Inc.:

We have audited the accompanying consolidated balance sheets of Applied Materials, Inc. and subsidiaries (the Company) as of October 25, 2015 and October 26, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 25, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Applied Materials, Inc. and subsidiaries as of October 25, 2015 and October 26, 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended October 25, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Applied Materials, Inc.'s internal control over financial reporting as of October 25, 2015 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 9, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP

Santa Clara, California
December 9, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Applied Materials, Inc.:

We have audited Applied Materials, Inc.'s (the Company) internal control over financial reporting as of October 25, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Applied Materials, Inc. maintained, in all material respects, effective internal control over financial reporting as of October 25, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Applied Materials, Inc. and subsidiaries as of October 25, 2015 and October 26, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 25, 2015, and our report dated December 9, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

KPMG LLP

Santa Clara, California
December 9, 2015

APPLIED MATERIALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

Fiscal Year	2015	2014	2013
Net sales	$ 9,659	$ 9,072	$ 7,509
Cost of products sold	5,707	5,229	4,518
Gross profit	3,952	3,843	2,991
Operating expenses:			
Research, development and engineering	1,451	1,428	1,320
Marketing and selling	428	423	433
General and administrative	455	497	458
Loss (gain) on derivatives associated with terminated business combination	(89)	(30)	7
Impairment of goodwill and intangible assets	—	—	278
Restructuring charges and asset impairments	14	5	63
Total operating expenses	2,259	2,323	2,559
Income from operations	1,693	1,520	432
Interest expense	103	95	95
Interest and other income, net	8	23	13
Income before income taxes	1,598	1,448	350
Provision for income taxes	221	376	94
Net income	$ 1,377	$ 1,072	$ 256
Earnings per share:			
Basic	$ 1.13	$ 0.88	$ 0.21
Diluted	$ 1.12	$ 0.87	$ 0.21
Weighted average number of shares:			
Basic	1,214	1,215	1,202
Diluted	1,226	1,231	1,219

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

Fiscal Year	2015	2014	2013
Net income	$ 1,377	$ 1,072	$ 256
Other comprehensive income (loss), net of tax:			
Change in unrealized net gain on investments	(10)	(1)	9
Change in unrealized net loss on derivative instruments	(15)	(2)	1
Change in defined and postretirement benefit plans	—	(33)	18
Change in cumulative translation adjustments	9	(2)	(5)
Other comprehensive income (loss), net of tax	(16)	(38)	23
Comprehensive income	$ 1,361	$ 1,034	$ 279

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	October 25, 2015	October 26, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,797	$ 3,002
Short-term investments	168	160
Accounts receivable, net	1,739	1,670
Inventories	1,833	1,567
Other current assets	724	568
Total current assets	9,261	6,967
Long-term investments	946	935
Property, plant and equipment, net	892	861
Goodwill	3,302	3,304
Purchased technology and other intangible assets, net	762	951
Deferred income taxes and other assets	145	156
Total assets	$ 15,308	$ 13,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,200	$ —
Accounts payable and accrued expenses	1,833	1,883
Customer deposits and deferred revenue	765	940
Total current liabilities	3,798	2,823
Long-term debt	3,342	1,947
Other liabilities	555	536
Total liabilities	7,695	5,306
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: $.01 par value per share; 1 shares authorized; no shares issued	—	—
Common stock: $.01 par value per share; 2,500 shares authorized; 1,160 and 1,221 shares outstanding at 2015 and 2014, respectively	11	12
Additional paid-in capital	6,575	6,384
Retained earnings	13,967	13,072
Treasury stock: 793 and 717 shares at 2015 and 2014, respectively	(12,848)	(11,524)
Accumulated other comprehensive loss	(92)	(76)
Total stockholders' equity	7,613	7,868
Total liabilities and stockholders' equity	$ 15,308	$ 13,174

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
Balance at October 28, 2012	1,197	$ 12	$ 5,863	$ 12,700	699	$ (11,279)	$ (61)	$ 7,235
Net income	—	—	—	256	—	—	—	256
Other comprehensive income, net of tax	—	—	—	—	—	—	23	23
Dividends	—	—	—	(469)	—	—	—	(469)
Share-based compensation	—	—	162	—	—	—	—	162
Issuance under stock plans, net of a tax benefit of $14 and other	25	—	126	—	—	—	—	126
Common stock repurchases	(18)	—	—	—	18	(245)	—	(245)
Balance at October 27, 2013	1,204	$ 12	$ 6,151	$ 12,487	717	$ (11,524)	$ (38)	$ 7,088
Net income	—	—	—	1,072	—	—	—	1,072
Other comprehensive loss, net of tax	—	—	—	—	—	—	(38)	(38)
Dividends	—	—	—	(487)	—	—	—	(487)
Share-based compensation	—	—	177	—	—	—	—	177
Issuance under stock plans, net of a tax benefit of $27 and other	17	—	56	—	—	—	—	56
Balance at October 26, 2014	1,221	$ 12	$ 6,384	$ 13,072	717	$ (11,524)	$ (76)	$ 7,868
Net income	—	—	—	1,377	—	—	—	1,377
Other comprehensive loss, net of tax	—	—	—	—	—	—	(16)	(16)
Dividends	—	—	—	(482)	—	—	—	(482)
Share-based compensation	—	—	187	—	—	—	—	187
Issuance under stock plans, net of a tax benefit of $55 and other	15	—	4	—	—	—	—	4
Common stock repurchases	(76)	(1)	—	—	76	(1,324)	—	(1,325)
Balance at October 25, 2015	1,160	$ 11	$ 6,575	$ 13,967	793	$ (12,848)	$ (92)	$ 7,613

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Fiscal Year	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 1,377	$ 1,072	$ 256
Adjustments required to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	371	375	410
Impairment of goodwill and intangible assets	—	—	278
Restructuring charges and asset impairments	14	5	63
Excess tax benefits from share-based compensation	(56)	(30)	(23)
Deferred income taxes	(134)	58	(102)
Other	39	8	34
Share-based compensation	187	177	162
Changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable	(61)	(21)	(404)
Inventories	(266)	(154)	(141)
Other current and non-current assets	26	26	(63)
Accounts payable and accrued expenses	(133)	79	21
Customer deposits and deferred revenue	(175)	146	39
Income taxes payable	(24)	142	57
Other liabilities	(2)	(83)	36
Cash provided by operating activities	1,163	1,800	623
Cash flows from investing activities:			
Capital expenditures	(215)	(241)	(197)
Cash paid for acquisitions, net of cash acquired	(4)	(12)	(1)
Proceeds from sale of facilities	—	25	7
Proceeds from sales and maturities of investments	1,100	878	1,013
Purchases of investments	(1,162)	(811)	(607)
Cash provided by (used in) investing activities	(281)	(161)	215
Cash flows from financing activities:			
Debt borrowings, net of issuance costs	2,581	—	—
Proceeds from common stock issuances and others, net	88	107	159
Common stock repurchases	(1,325)	—	(245)
Payments of dividends to stockholders	(487)	(485)	(456)
Excess tax benefits from share-based compensation	56	30	23
Cash provided by (used in) financing activities	913	(348)	(519)
Increase in cash and cash equivalents	1,795	1,291	319
Cash and cash equivalents — beginning of year	3,002	1,711	1,392
Cash and cash equivalents — end of year	$ 4,797	$ 3,002	$ 1,711
Supplemental cash flow information:			
Cash payments for income taxes	$ 407	$ 195	$ 196
Cash refunds from income taxes	$ 12	$ 111	$ 102
Cash payments for interest	$ 92	$ 92	$ 92

See accompanying Notes to Consolidated Financial Statements.

APPLIED MATERIALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Applied Materials, Inc. and its subsidiaries (Applied or the Company) after elimination of intercompany balances and transactions. All references to a fiscal year apply to Applied's fiscal year which ends on the last Sunday in October. Fiscal 2015, 2014 and 2013 each contained 52 weeks. Each fiscal quarter of 2015, 2014 and 2013 contained 13 weeks.

Certain prior year amounts have been reclassified to conform to current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, Applied evaluates its estimates, including those related to accounts receivable and sales allowances, fair values of financial instruments, inventories, intangible assets and goodwill, useful lives of intangible assets and property and equipment, fair values of share-based awards, and income taxes, among others. Applied bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Cash Equivalents

All highly-liquid investments with a remaining maturity of three months or less at the time of purchase are considered to be cash equivalents. Cash equivalents consist primarily of investments in institutional money market funds.

Investments

All of Applied's investments, except equity investments held in privately-held companies, are classified as available-for-sale at the respective balance sheet dates. Investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and any temporary difference between the cost and fair value of an investment is presented as a separate component of accumulated other comprehensive income (loss). The specific identification method is used to determine the gains and losses on investments. Interest earned on cash and investments, as well as realized gains and losses on sale of securities, are included in interest income in the accompanying Consolidated Statements of Operations.

Equity investments in privately-held companies are generally accounted for under the cost method of accounting and are periodically assessed for other-than-temporary impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred.

Allowance for Doubtful Accounts

Applied maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. This allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues Applied has identified. Changes in circumstances, such as an unexpected material adverse change in a major customer's ability to meet its financial obligation to Applied or its payment trends, may require Applied to further adjust its estimates of the recoverability of amounts due to Applied. Bad debt expense and any reversals are recorded in marketing and selling expense in the Consolidated Statement of Operations.

Inventories

Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. Applied adjusts inventory carrying value for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. Applied fully writes down inventories and noncancelable purchase orders for inventory deemed obsolete. Applied performs periodic reviews of inventory items to identify excess inventories on hand by comparing on-hand balances to anticipated usage using recent historical activity as well as anticipated or forecasted demand. If estimates of customer demand diminish further or market conditions become less favorable than those projected by Applied, additional inventory adjustments may be required.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives for financial reporting purposes are as follows: buildings and improvements, 3 to 30 years; demonstration and manufacturing equipment, 3 to 5 years; software, 3 to 5 years; and furniture, fixtures and other equipment, 3 to 15 years. Land improvements are amortized over the shorter of 15 years or the estimated useful life. Leasehold improvements are amortized over the shorter of five years or the lease term.

Intangible Assets

Goodwill and indefinite-lived assets are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Purchased technology and other intangible assets are presented at cost, net of accumulated amortization, and are amortized over their estimated useful lives of 1 to 15 years using the straight-line method.

Long-Lived Assets

Applied reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets or asset group may not be recoverable. Applied assesses these assets for impairment based on estimated future cash flows from these assets.

Research, Development and Engineering Costs

Research, development and engineering costs are expensed as incurred.

Sales and Value Added Taxes

Taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying Consolidated Statements of Operations.

Warranty

Applied provides for the estimated cost of warranty when revenue is recognized. Estimated warranty costs are determined by analyzing specific product, current and historical configuration statistics and regional warranty support costs. Applied's warranty obligation is affected by product and component failure rates, material usage and labor costs incurred in correcting product failures during the warranty period. If actual warranty costs differ substantially from Applied's estimates, revisions to the estimated warranty liability would be required.

Income Taxes

Income tax expense is based on pretax earnings. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carryforwards.

Restructuring

From time to time, Applied initiates restructuring activities to appropriately align its cost structure relative to prevailing economic and industry conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with restructuring actions can include termination benefits and related charges in addition to facility closure, contract termination and other related activities. Costs associated with restructuring activities are included in restructuring charges and asset impairments in the Consolidated Statements of Operations.

Revenue Recognition

Applied recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectability is probable. Applied's shipping terms are customarily FOB Applied shipping point or equivalent terms. Applied's revenue recognition policy generally results in revenue recognition at the following points: (1) for all transactions where legal title passes to the customer upon shipment or delivery, Applied recognizes revenue upon passage of title for all products that have been demonstrated to meet product specifications prior to shipment; the portion of revenue associated with certain installation-related tasks is deferred, and that revenue is recognized upon completion of the installation-related tasks; (2) for products that have not been demonstrated to meet product specifications prior to shipment, revenue is recognized at customer technical acceptance; (3) for transactions where legal title does not pass at shipment or delivery, revenue is recognized when legal title passes to the customer, which is generally at customer technical acceptance; and (4) for arrangements containing multiple elements, the revenue relating to the undelivered elements is deferred using the relative selling price method utilizing estimated sales prices until delivery of the deferred elements. Applied limits the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or adjustment. In cases where Applied has sold products that have been demonstrated to meet product specifications prior to shipment, Applied believes that at the time of delivery, it has an enforceable claim to amounts recognized as revenue. Spare parts revenue is generally recognized upon shipment, and services revenue is generally recognized over the period that the services are provided.

When a sales arrangement contains multiple elements, such as hardware and services and/or software products, Applied allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE is available. Applied generally utilizes the ESP due to the nature of its products. In multiple element arrangements where more-than-incidental software deliverables are included, revenue is allocated to each separate unit of accounting for each of the non-software deliverables and to the software deliverables as a group using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is then allocated to each software deliverable using the guidance for recognizing software revenue.

Derivative Financial Instruments

Applied uses financial instruments, such as forward exchange and currency option contracts, to hedge a portion of, but not all, existing and anticipated foreign currency denominated transactions typically expected to occur within 24 months. The purpose of Applied's foreign currency management is to mitigate the effect of exchange rate fluctuations on certain foreign currency denominated revenues, costs and eventual cash flows. The terms of derivative financial instruments used for hedging purposes are generally consistent with the timing of the transactions being hedged. All of Applied's derivative financial instruments are recorded at fair value based upon quoted market prices for comparable instruments. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income (loss) in stockholders' equity, and is reclassified into earnings when the hedged transaction affects earnings. If the transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss on the associated financial instrument is recorded promptly in earnings. For derivative instruments used to hedge existing foreign currency denominated assets or liabilities, the gain or loss on these hedges is recorded promptly in earnings to offset the changes in the fair value of the assets or liabilities being hedged. Applied does not use derivative financial instruments for trading or speculative purposes.

Foreign Currencies

As of October 25, 2015, all of Applied's subsidiaries use the United States dollar as their functional currency. Accordingly, assets and liabilities of these subsidiaries are remeasured using exchange rates in effect at the end of the period, except for non-monetary assets, such as inventories and property, plant and equipment, which are remeasured using historical exchange rates. Foreign currency-denominated revenues and costs are remeasured using average exchange rates for the period, except for costs related to those balance sheet items that are remeasured using historical exchange rates. The resulting remeasurement gains and losses are included in general and administrative expenses in the Consolidated Statements of Operations as incurred.

Concentrations of Credit Risk

Financial instruments that potentially subject Applied to significant concentrations of credit risk consist principally of cash equivalents, investments, trade accounts receivable and derivative financial instruments used in hedging activities. Applied invests in a variety of financial instruments, such as, but not limited to, certificates of deposit, corporate and municipal bonds, United States Treasury and agency securities, and asset-backed and mortgage-backed securities, and, by policy, limits the amount of credit exposure with any one financial institution or commercial issuer. Applied performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral to secure accounts receivable. Applied maintains an allowance reserve for potentially uncollectible accounts receivable based on its assessment of the collectability of accounts receivable. Applied regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. In addition, Applied utilizes letters of credit to mitigate credit risk when considered appropriate. Applied is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. In some instances, Applied has entered into security arrangements which require the counterparties to post collateral to further mitigate credit exposure.

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued authoritative guidance that requires inventory to be measured at the lower of cost and net realizable value instead of at lower of cost or market. This guidance does not apply to inventory that is measured using last-in, first out (LIFO) or the retail inventory method but applies to all other inventory including those measured using first-in, first-out (FIFO) or the average cost method. The authoritative guidance will be effective for Applied in the first quarter of fiscal 2018 and should be applied prospectively. Early adoption is permitted as of the beginning of an interim or annual reporting period. Applied is currently evaluating the effect of this new guidance on Applied's consolidated financial statements.

In May 2015, the FASB issued authoritative guidance to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The new guidance also removes the requirement of certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The guidance becomes effective retrospectively for Applied in the first quarter of fiscal 2017. Early adoption is permitted. The adoption of this guidance will only impact disclosures in Applied's financial statements.

In April 2015, the FASB issued authoritative guidance for customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance will not change accounting for service contracts. The guidance becomes effective for Applied in the first quarter of fiscal 2017 and may be adopted either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. Early adoption is permitted. Applied is currently evaluating the effect of this new guidance on Applied's financial position, results of operations and its ongoing financial reporting, including the selection of a transition method.

In April 2015, the FASB issued authoritative guidance that requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The authoritative guidance is effective for Applied in the first quarter of fiscal 2017 and should be applied retrospectively. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on Applied's consolidated financial statements.

In May 2014, the FASB issued authoritative guidance that requires revenue recognition to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new standard will supersede most current revenue recognition guidance, including industry-specific guidance. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. In addition, the modified approach will require additional disclosures. In August 2015, the FASB issued an amendment to defer the effective date by one year and allow entities to early adopt no earlier than the original effective date. With this amendment, the guidance will be effective for Applied in the first quarter of fiscal 2019. Applied is currently evaluating the effect of this new guidance on Applied's financial position, results of operations and its ongoing financial reporting, including the selection of a transition method.

In April 2014, the FASB issued authoritative guidance that raises the threshold for a disposal transaction to qualify as a discontinued operation and requires additional disclosures about discontinued operations and disposals of individually significant components that do not qualify as discontinued operations. The authoritative guidance becomes effective prospectively for Applied in the first quarter of fiscal 2016. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued.

Note 2 Earnings Per Share

Basic earnings per share is determined using the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined using the weighted average number of common shares and potential common shares (representing the dilutive effect of stock options, restricted stock units, and employee stock purchase plan shares) outstanding during the period. Applied's net income has not been adjusted for any period presented for purposes of computing basic or diluted earnings per share due to the Company's non-complex capital structure.

Fiscal Year	2015	2014	2013
	(In millions, except per share amounts)		
Numerator:			
Net income	$ 1,377	$ 1,072	$ 256
Denominator:			
Weighted average common shares outstanding	1,214	1,215	1,202
Effect of dilutive stock options, restricted stock units and employee stock purchase plan shares	12	16	17
Denominator for diluted earnings per share	1,226	1,231	1,219
Basic earnings per share	$ 1.13	$ 0.88	$ 0.21
Diluted earnings per share	$ 1.12	$ 0.87	$ 0.21
Potentially dilutive securities	—	1	2

Potentially dilutive securities attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted earnings per share because the combined exercise price, average unamortized fair value and assumed tax benefits upon the exercise of options and the vesting of restricted stock units were greater than the average market price of Applied common stock, and therefore their inclusion would have been anti-dilutive.

Note 3 Cash, Cash Equivalents and Investments

Summary of Cash, Cash Equivalents and Investments

The following tables summarize Applied's cash, cash equivalents and investments by security type:

October 25, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In millions)		
Cash	$ 1,010	$ —	$ —	$ 1,010
Cash equivalents:				
Money market funds	3,272	—	—	3,272
Non-U.S. government securities*	60	—	—	60
Municipal securities	73	—	—	73
Commercial paper, corporate bonds and medium-term notes	382	—	—	382
Total Cash equivalents	3,787	—	—	3,787
Total Cash and Cash equivalents	$ 4,797	$ —	$ —	$ 4,797
Short-term and long-term investments:				
U.S. Treasury and agency securities	$ 84	$ —	$ —	$ 84
Non-U.S. government securities*	9	—	—	9
Municipal securities	384	2	—	386
Commercial paper, corporate bonds and medium-term notes	250	—	—	250
Asset-backed and mortgage-backed securities	262	—	—	262
Total fixed income securities	989	2	—	991
Publicly traded equity securities	28	17	—	45
Equity investments in privately-held companies	78	—	—	78
Total short-term and long-term investments	$ 1,095	$ 19	$ —	$ 1,114
Total Cash, Cash equivalents and Investments	$ 5,892	$ 19	$ —	$ 5,911

* Includes agency debt securities guaranteed by non-U.S. governments, which consist of Canada and Germany.

October 26, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In millions)		
Cash	$ 508	$ —	$ —	$ 508
Cash equivalents:				
Money market funds	2,494	—	—	2,494
Total Cash equivalents	2,494	—	—	2,494
Total Cash and Cash equivalents	$ 3,002	$ —	$ —	$ 3,002
Short-term and long-term investments:				
U.S. Treasury and agency securities	$ 62	$ —	$ —	$ 62
Non-U.S. government securities*	14	—	—	14
Municipal securities	391	2	—	393
Commercial paper, corporate bonds and medium-term notes	223	1	—	224
Asset-backed and mortgage-backed securities	287	1	2	286
Total fixed income securities	977	4	2	979
Publicly traded equity securities	19	31	—	50
Equity investments in privately-held companies	66	—	—	66
Total short-term and long-term investments	$ 1,062	$ 35	$ 2	$ 1,095
Total Cash, Cash equivalents and Investments	$ 4,064	$ 35	$ 2	$ 4,097

* Includes agency debt securities guaranteed by non-U.S. governments, which consist of Canada and Germany.

Maturities of Investments

The following table summarizes the contractual maturities of Applied’s investments at October 25, 2015:

	Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 155	$ 156
Due after one through five years	572	573
No single maturity date**	368	385
	$ 1,095	$ 1,114

** Securities with no single maturity date include publicly-traded and privately-held equity securities, and asset-backed and mortgage-backed securities.

Gains and Losses on Investments

Gross realized gains and losses on sales of investments for each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Gross realized gains	$ 9	$ 27	$ 7
Gross realized losses	$ 3	$ 2	$ 2

At October 25, 2015, gross unrealized losses related to Applied's investment portfolio were not material. Applied regularly reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. Factors considered in determining whether an unrealized loss is considered to be temporary, or other-than-temporary and therefore impaired, include: the length of time and extent to which fair value has been lower than the cost basis; the financial condition, credit quality and near-term prospects of the investee; and whether it is more likely than not that Applied will be required to sell the security prior to recovery. Generally, the contractual terms of investments in marketable securities do not permit settlement at prices less than the amortized cost of the investments. Applied determined that the gross unrealized losses on its marketable securities at October 25, 2015, October 26, 2014 and October 27, 2013 were temporary in nature and therefore it did not recognize any impairment of its marketable securities for fiscal 2015, 2014 or 2013. During fiscal 2015, 2014 and 2013, Applied determined that certain of its equity investments in privately-held companies were other-than-temporarily impaired and, accordingly, recognized impairment charges of $9 million, $15 million and $6 million, respectively. These impairment charges are included in interest and other income, net in the Consolidated Statement of Operations.

Unrealized gains and temporary losses on investments classified as available-for-sale are included within accumulated other comprehensive income (loss), net of any related tax effect. Upon realization, those amounts are reclassified from accumulated other comprehensive income (loss) to results of operations.

Note 4 Fair Value Measurements

Applied’s financial assets are measured and recorded at fair value, except for equity investments in privately-held companies. These equity investments are generally accounted for under the cost method of accounting and are periodically assessed for other-than-temporary impairment when events or circumstances indicate that an other-than-temporary decline in value may have occurred. Applied’s nonfinancial assets, such as goodwill, intangible assets, and property, plant and equipment, are recorded at cost and are assessed for impairment when events or circumstances indicate that an other-than-temporary decline in value may have occurred.

Fair Value Hierarchy

Applied uses the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Applied’s investments consist primarily of debt securities that are classified as available-for-sale and recorded at their fair values. In determining the fair value of investments, Applied uses pricing information from pricing services that value securities based on quoted market prices and models that utilize observable market inputs. In the event a fair value estimate is unavailable from a pricing service, Applied generally obtains non-binding price quotes from brokers. Applied then reviews the information provided by the pricing services or brokers to determine the fair value of its short-term and long-term investments. In addition, to validate pricing information obtained from pricing services, Applied periodically performs supplemental analysis on a sample of securities. Applied reviews any significant unanticipated differences identified through this analysis to determine the appropriate fair value.

Investments with remaining effective maturities of 12 months or less from the balance sheet date are classified as short-term investments. Investments with remaining effective maturities of more than 12 months from the balance sheet date are classified as long-term investments. As of October 25, 2015, substantially all of Applied’s available-for-sale, short-term and long-term investments were recognized at fair value that was determined based upon observable inputs.

Assets Measured at Fair Value on a Recurring Basis

Financial assets (excluding cash balances) measured at fair value on a recurring basis are summarized below:

	October 25, 2015			October 26, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(In millions)					
Assets:						
Money market funds	$ 3,272	$ —	$ 3,272	$ 2,494	$ —	$ 2,494
U.S. Treasury and agency securities	72	12	84	43	19	62
Non-U.S. government securities	—	69	69	—	14	14
Municipal securities	—	459	459	—	393	393
Commercial paper, corporate bonds and medium-term notes	—	632	632	—	224	224
Asset-backed and mortgage-backed securities	—	262	262	—	286	286
Publicly traded equity securities	45	—	45	50	—	50
Foreign exchange derivative assets	—	2	2	—	52	52
Total	$ 3,389	$ 1,436	$ 4,825	$ 2,587	$ 988	$ 3,575

There were no transfers between Level 1 and Level 2 fair value measurements during fiscal 2015 and 2014, and Applied did not have any financial assets measured at fair value on a recurring basis within Level 3 fair value measurements as of October 25, 2015 or October 26, 2014.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Equity investments in privately-held companies are generally accounted for under the cost method of accounting and are periodically assessed for other-than-temporary impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. If Applied determines that an other-than-temporary impairment has occurred, the investment will be written down to its estimated fair value based on available information, such as pricing in recent rounds of financing, current cash positions, earnings and cash flow forecasts, recent operational performance and any other readily available market data. Equity investments in privately-held companies totaled $78 million at October 25, 2015, of which $70 million of investments were accounted for under the cost method of accounting and $8 million of investments had been measured at fair value on a non-recurring basis within Level 3 fair value measurements due to an other-than-temporary decline in value. Equity investments in privately-held companies totaled $66 million at October 26, 2014, of which $57 million of investments were accounted for under the cost method of accounting and $9 million of investments had been measured at fair value on a non-recurring basis within Level 3 fair value measurements due to an other-than-temporary decline in value.

During fiscal 2015, 2014 and 2013, Applied determined that certain of its equity investments held in privately-held companies were other-than-temporarily impaired and, accordingly, recognized impairment charges of $9 million, $15 million and $6 million, respectively.

In fiscal 2013, Applied recorded goodwill and intangible asset impairment charges related to the Energy and Environmental Solutions segment. The inputs used to measure the fair value of goodwill and intangible assets of the Energy and Environmental Solutions segment are classified as a Level 3 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of goodwill and intangible assets is discussed in Note 9, Goodwill, Purchased Technology and Other Intangible Assets.

Other

The carrying amounts of Applied's financial instruments, including cash and cash equivalents, accounts receivable, notes payable - short term, and accounts payable and accrued expenses, approximate fair value due to their short maturities. At October 25, 2015, the carrying amount of long-term debt was $3.3 billion, and the estimated fair value was $3.5 billion. At October 26, 2014, the carrying amount of long-term debt was $1.9 billion, and the estimated fair value was $2.2 billion. The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues.

Note 5 Derivative Instruments and Hedging Activities

Derivative Financial Instruments

Applied conducts business in a number of foreign countries, with certain transactions denominated in local currencies, such as the Japanese yen, euro, Israeli shekel and Taiwanese dollar. Applied uses derivative financial instruments, such as forward exchange contracts and currency option contracts, to hedge certain forecasted foreign currency denominated transactions expected to occur typically within the next 24 months. The purpose of Applied’s foreign currency management is to mitigate the effect of exchange rate fluctuations on certain foreign currency denominated revenues, costs and eventual cash flows. The terms of currency instruments used for hedging purposes are generally consistent with the timing of the transactions being hedged.

During fiscal 2015, Applied entered into and settled a series of forward-starting interest rate swap agreements, with a total notional amount of $600 million, to hedge against the variability of cash flows due to changes in the benchmark interest rate of fixed rate debt. These instruments were designated as cash flow hedges at inception and settled in conjunction with the issuance of debt in the fourth quarter of fiscal 2015. The loss from the settlement of the interest rate swap agreement was $20 million, which was included in accumulated other comprehensive income (AOCI) in stockholders' equity and will be amortized to interest expense over the term of the senior unsecured 10-year notes issued in September 2015.

Applied does not use derivative financial instruments for trading or speculative purposes. Derivative instruments and hedging activities, including foreign currency exchange contracts and interest rate swap agreements, are recognized on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized currently in earnings. All of Applied’s derivative financial instruments are recorded at their fair value in other current assets or in accounts payable and accrued expenses.

Hedges related to anticipated transactions are designated and documented at the inception of the hedge as cash flow hedges and foreign exchange derivatives are typically entered into once per month. Cash flow hedges are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of AOCI in stockholders’ equity and is reclassified into earnings when the hedged transaction affects earnings. The majority of the after-tax net income or loss related to foreign exchange derivative instruments included in AOCI at October 25, 2015 is expected to be reclassified into earnings within 12 months. Changes in the fair value of currency forward exchange and option contracts due to changes in time value are excluded from the assessment of effectiveness. Both ineffective hedge amounts and hedge components excluded from the assessment of effectiveness are recognized in earnings. If the transaction being hedged is no longer probable to occur, or if a portion of any derivative is deemed to be ineffective, Applied promptly recognizes the gain or loss on the associated financial instrument in earnings. The amount recognized due to discontinuance of cash flow hedges that were probable not to occur by the end of the originally specified time period was not significant for fiscal 2015, 2014 or 2013.

Additionally, forward exchange contracts are generally used to hedge certain foreign currency denominated assets or liabilities. These derivatives are typically entered into once per month and are not designated for hedge accounting treatment. Accordingly, changes in the fair value of these hedges are recorded in earnings to offset the changes in the fair value of the assets or liabilities being hedged.

Following the announcement of the proposed business combination with Tokyo Electron Limited (TEL) in September 2013, Applied purchased foreign exchange option contracts to limit its foreign exchange risk associated with the proposed business combination. The derivatives used to hedge currency exposure did not qualify for hedge accounting treatment. These derivatives were marked to market at the end of each reporting period with gains and losses recorded as part of operating expenses. During fiscal 2014, the derivatives purchased in fiscal 2013 were sold, and the Company recorded gains of $42 million. Concurrently, during the fourth quarter of fiscal 2014, the Company purchased new foreign exchange option contracts for the same purpose with an extended maturity. At October 26, 2014, the fair value of these foreign exchange option contracts was approximately $52 million and Applied recognized an unrealized loss of $12 million during fiscal 2014 related to these contracts. Due to the termination of the proposed business combination with TEL on April 26, 2015, these foreign exchange option contracts were sold during the third quarter of fiscal 2015. Applied recorded a gain of $89 million in fiscal 2015 related to these contracts. The cash flow impacts of these derivatives have been classified as operating cash flows in the Consolidated Statements of Cash Flows. To further mitigate credit exposure in connection with these foreign exchange option contracts, the Company entered into security arrangements with certain counterparties, which require the counterparties to post collateral amounting to the approximate fair value of the derivative contracts. The cash collateral was included in cash and cash equivalents in the Consolidated Balance Sheets, with the corresponding liability included in accounts payable and accrued expenses as of October 26, 2014. The requirement to provide cash collateral was canceled following the settlement of the foreign exchange option contracts during fiscal 2015.

Other than the foreign exchange option contracts discussed in the preceding paragraph, the fair values of other foreign exchange derivative instruments at October 25, 2015 and October 26, 2014 were not material.

The effects of derivative instruments on the Consolidated Statements of Operations for each fiscal year were as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Reclassified from AOCI into Income	Effective Portion: Gain or (Loss) Recognized in AOCI	Effective Portion: Gain or (Loss) Reclassified from AOCI into Income	Ineffective Portion and Amount Excluded from Effectiveness Testing: Gain or (Loss) Recognized in Income
			(In millions)	
2015				
Foreign exchange contracts	Cost of products sold	$ 6	$ 15	$ (4)
Foreign exchange contracts	General and administrative	—	(6)	(2)
Interest rate swaps	Interest expense	(20)	—	—
Total		$ (14)	$ 9	$ (6)
2014				
Foreign exchange contracts	Cost of products sold	$ 7	$ 8	$ (2)
Foreign exchange contracts	General and administrative	—	1	(2)
Total		$ 7	$ 9	$ (4)
2013				
Foreign exchange contracts	Cost of products sold	$ 29	$ 21	$ (3)
Foreign exchange contracts	General and administrative	—	7	(1)
Total		$ 29	$ 28	$ (4)

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income: 2015	2014	2013
			(In millions)	
Foreign exchange contracts	Gain (loss) on derivatives associated with terminated business combination	$ 89	$ 30	$ (7)
Foreign exchange contracts	General and administrative	21	19	26
Total		$ 110	$ 49	$ 19

Credit Risk Contingent Features

If Applied's credit rating were to fall below investment grade, it would be in violation of credit risk contingent provisions of the derivative instruments discussed above, and certain counterparties to the derivative instruments could request immediate payment on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a net liability position was immaterial as of October 25, 2015 and October 26, 2014.

Entering into derivative contracts with banks exposes Applied to credit-related losses in the event of the banks' nonperformance. However, Applied's exposure is not considered significant.

Note 6 Accounts Receivable, Net

Applied has agreements with various financial institutions to sell accounts receivable and discount promissory notes from selected customers. Applied sells its accounts receivable without recourse. Applied, from time to time, also discounts letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements.

Applied did not factor any accounts receivable or discount promissory notes during fiscal 2015 or 2013. Applied factored accounts receivable of $45 million and discounted $29 million of letters of credit issued by customers during fiscal 2014. Financing charges on the sale of receivables and discounting of letters of credit are included in interest expense in the accompanying Consolidated Statements of Operations and were not material for all years presented.

Accounts receivable are presented net of allowance for doubtful accounts of $49 million and $58 million at October 25, 2015 and October 26, 2014, respectively. Changes in allowance for doubtful accounts for each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Beginning balance	$ 58	$ 74	$ 87
Provision	—	—	—
Deductions[1]	(9)	(16)	(13)
Ending balance	$ 49	$ 58	$ 74

[1] Fiscal 2015, 2014 and 2013 deductions represent releases of allowance for doubtful accounts credited to expense as a result of an overall lower risk profile of Applied's customers.

Applied sells its products principally to manufacturers within the semiconductor, display and solar industries. While Applied believes that its allowance for doubtful accounts is adequate and represents its best estimate as of October 25, 2015, it continues to closely monitor customer liquidity and industry and economic conditions, which may result in changes to Applied’s estimates regarding collectability.

Note 7 Balance Sheet Detail

	October 25, 2015	October 26, 2014
	(In millions)	
Inventories		
Customer service spares	$ 382	$ 316
Raw materials	438	405
Work-in-process	294	316
Finished goods	719	530
	$ 1,833	$ 1,567

Included in finished goods inventory is $155 million and $104 million at October 25, 2015 and October 26, 2014, respectively, of newly-introduced systems at customer locations where the sales transaction did not meet Applied's revenue recognition criteria as set forth in Note 1. Finished goods inventory includes $185 million and $164 million of evaluation inventory at October 25, 2015 and October 26, 2014, respectively.

	October 25, 2015	October 26, 2014
	(In millions)	
Other Current Assets		
Deferred income taxes, net	$ 403	$ 232
Prepaid income taxes and income taxes receivable	127	79
Prepaid expenses and other	194	257
	$ 724	$ 568

	Useful Life	October 25, 2015	October 26, 2014
	(In years)	(In millions)	
Property, Plant and Equipment, Net			
Land and improvements		$ 157	$ 156
Buildings and improvements	3-30	1,247	1,227
Demonstration and manufacturing equipment	3-5	920	829
Furniture, fixtures and other equipment	3-15	574	575
Construction in progress		48	61
Gross property, plant and equipment		2,946	2,848
Accumulated depreciation		(2,054)	(1,987)
		$ 892	$ 861

Depreciation expense was $185 million, $191 million and $211 million for fiscal 2015, 2014 and 2013 respectively.

During fiscal 2015 and 2013, fixed asset impairment charges of $4 million and $12 million, respectively were recorded in relation to the Energy and Environmental Solutions segment restructuring activities, as discussed in Note 11, Restructuring Charges and Asset Impairments. There was no fixed asset impairment charge recorded during fiscal 2014.

	October 25, 2015	October 26, 2014
	(In millions)	
Accounts Payable and Accrued Expenses		
Accounts payable	$ 658	$ 613
Compensation and employee benefits	509	524
Warranty	126	113
Income taxes payable	60	142
Dividends payable	116	122
Other accrued taxes	58	51
Interest payable	36	30
Other	270	288
	$ 1,833	$ 1,883

	October 25, 2015	October 26, 2014
	(In millions)	
Customer Deposits and Deferred Revenue		
Customer deposits	$ 132	$ 286
Deferred revenue	633	654
	$ 765	$ 940

Applied typically receives deposits on future deliverables from customers in the Energy and Environmental Solutions and Display segments. In certain instances, customer deposits may be received from customers in the Applied Global Services segment.

	October 25, 2015	October 26, 2014
	(In millions)	
Other Liabilities		
Deferred income taxes	$ 56	$ 32
Income taxes payable	227	225
Defined and postretirement benefit plans	187	208
Other	85	71
	$ 555	$ 536

Note 8 Business Combinations

Tokyo Electron Limited

On September 24, 2013, Applied and Tokyo Electron Limited (TEL) entered into a Business Combination Agreement, which was intended to effect a strategic combination of their respective businesses into a new combined company, and was subject to regulatory approvals. On April 26, 2015, Applied and TEL announced that they had mutually agreed to terminate the Business Combination Agreement. No termination fee was payable by either Applied or TEL.

Other

From time to time, Applied makes acquisitions of or investments in companies related to existing or new markets for Applied. Applied completed acquisitions during fiscal 2015 and 2014, which were not significant to Applied's consolidated results of operations and financial position. Substantially all of the consideration was allocated to acquisition-related intangible assets. See Note 9 Goodwill, Purchased Technology and Other Intangible Assets for more information.

Note 9 Goodwill, Purchased Technology and Other Intangible Assets

Goodwill and Purchased Intangible Assets

Applied’s methodology for allocating the purchase price relating to purchase acquisitions is determined through established and generally accepted valuation techniques. Goodwill is measured as the excess of the purchase price over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. Applied assigns assets acquired (including goodwill) and liabilities assumed to one or more reporting units as of the date of acquisition. Typically, acquisitions relate to a single reporting unit and thus do not require the allocation of goodwill to multiple reporting units. If the products obtained in an acquisition are assigned to multiple reporting units, the goodwill is distributed to the respective reporting units as part of the purchase price allocation process.

Goodwill and purchased intangible assets with indefinite useful lives are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The process of evaluating the potential impairment of goodwill and intangible assets requires significant judgment, especially in emerging markets. Applied regularly monitors current business conditions and considers other factors including, but not limited to, adverse industry or economic trends, restructuring actions and lower projections of profitability that may impact future operating results.

To test goodwill for impairment, Applied first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, Applied then performs the two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Under the two-step goodwill impairment test, Applied would, in the first step, compare the estimated fair value of each reporting unit to its carrying value. Applied determines the fair value of each of its reporting units based on a weighting of income and market approaches. If the carrying value of a reporting unit exceeds its fair value, Applied would then perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. If Applied determines that the carrying value of a reporting unit’s goodwill exceeds its implied fair value, Applied would record an impairment charge equal to the difference.

During the third quarter of fiscal 2015, Applied implemented a new management structure, which resulted in changes in Applied’s reporting units. Applied determined its reporting units by first identifying its operating segments, and then assessing whether components of these operating segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. Applied aggregates reporting units within an operating segment that have similar economic characteristics and are similar in nature of their products and services, production processes, type or class of customers, distribution methods and operational environment. As a result of the change in management structure, there were no changes in Applied’s reportable segments identified in Note 16, Industry Segment Operations. However, Applied identified three reporting units, which include the Transistor and Interconnect Group, Patterning and Packaging Group, and Imaging and Process Control Group, which combine to form the Silicon Systems reporting segment. The new management structure did not affect Applied Global Services, Display and Energy and Environmental Solutions.

Based on these changes, Applied performed a goodwill impairment test for Silicon Systems immediately before the change in reporting units, allocated goodwill to each reporting unit in Silicon Systems based on the estimated fair value of each reporting unit and, then performed another goodwill impairment test for each of the new reporting units within the Silicon Systems segment.

In performing the goodwill impairment test, Applied utilized both the discounted cash flow method (weighted 75%) and the guideline company method (weighted 25%) to estimate the fair value of the reporting units. The estimates used in the impairment testing were consistent with the discrete forecasts that Applied uses to manage its business, and considered any significant developments that occurred during the quarter. Under the discounted cash flow method, cash flows beyond the discrete forecasts were estimated using a terminal growth rate, which considered the long-term earnings growth rate specific to the reporting units. The estimated future cash flows were discounted to present value using each reporting unit's weighted average cost of capital. The weighted average cost of capital measures a reporting unit's cost of debt and equity financing weighted by the percentage of debt and equity in a reporting unit's target capital structure. In addition, the weighted average cost of capital was derived using both known and estimated market metrics, and was adjusted to reflect both the timing and risks associated with the estimated cash flows. The tax rate used in the discounted cash flow method was the median tax rate of comparable companies and reflected Applied's current international structure, which is consistent with the market participant perspective. Under the guideline company method, market multiples were applied to forecasted revenues and earnings before interest, taxes, depreciation and amortization. The market multiples used were consistent with comparable publicly-traded companies and considered each reporting unit's size, growth and profitability relative to its comparable companies. Based on Applied’s analysis, the estimated fair value exceeded the carrying value for Silicon Systems as a single reporting unit and for each new reporting unit subsequent to the change, and therefore, the second step of the goodwill impairment test was not required.

In the fourth quarter of fiscal 2015, Applied performed a qualitative assessment to test goodwill for all of its reporting units for impairment. Applied determined that it was more likely than not that each of its reporting units' fair values exceeded their respective carrying values and that it was not necessary to perform the two-step goodwill impairment test for any of its reporting units.

Since fiscal 2012, the solar industry has faced a deterioration in market conditions associated with manufacturing overcapacity and weak operating performance and outlook, resulting in uncertainties regarding the timing and nature of a recovery in solar capital equipment expenditures. In fiscal 2013, Applied performed a two-step goodwill impairment test and, as a result, recorded $224 million of goodwill impairment charges in the Energy and Environmental Solutions segment. Applied also recorded a $54 million impairment charge related to the intangible assets in the Energy and Environmental Solutions segment in the same year. As of 2015, accumulated goodwill impairment charges from fiscal 2013 and prior periods amounted to $645 million, all of which were recorded in the Energy and Environmental Solutions segment.

The evaluation of goodwill and intangible assets for impairment requires the exercise of significant judgment. In the event of future changes in business conditions, Applied will be required to reassess and update its forecasts and estimates used in future impairment analyses. If the results of these future analyses are lower than current estimates, a material impairment charge may result at that time.

Details of goodwill and other indefinite-lived intangible assets were as follows:

	October 25, 2015			October 26, 2014		
	Goodwill	Other Intangible Assets	Total	Goodwill	Other Intangible Assets	Total
	(In millions)					
Silicon Systems	$ 2,151	$ —	$ 2,151	$ 2,151	$ 103	$ 2,254
Applied Global Services	1,027	5	1,032	1,027	6	1,033
Display	124	18	142	126	18	144
Energy and Environmental Solutions	—	2	2	—	—	—
Carrying amount	$ 3,302	$ 25	$ 3,327	$ 3,304	$ 127	$ 3,431

Other intangible assets that are not subject to amortization consist primarily of in-process technology, which will be subject to amortization upon commercialization. The fair value assigned to in-process technology was determined using the income approach taking into account estimates and judgments regarding risks inherent in the development process, including the likelihood of achieving technological success and market acceptance. If an in-process technology project is abandoned, the acquired technology attributable to the project will be written-off.

During fiscal 2015, goodwill and other indefinite lived intangible assets decreased by $104 million primarily due to commercialization of in-process technology in the Silicon Systems segment.

A summary of Applied's purchased technology and intangible assets is set forth below:

	October 25, 2015	October 26, 2014
	(In millions)	
Purchased technology, net	$ 575	$ 636
Intangible assets - finite-lived, net	162	188
Intangible assets - indefinite-lived	25	127
Total	$ 762	$ 951

Finite-Lived Purchased Intangible Assets

Applied amortizes purchased intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from 1 to 15 years.

Applied evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. Applied assesses the fair value of the assets based on the amount of the undiscounted future cash flow that the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flow expected to result from the use of the asset, plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When Applied identifies an impairment, Applied reduces the carrying value of the group of assets to comparable market values, when available and appropriate, or to its estimated fair value based on a discounted cash flow approach.

Intangible assets, such as purchased technology, are generally recorded in connection with a business acquisition. The value assigned to intangible assets is usually based on estimates and judgments regarding expectations for the success and life cycle of products and technology acquired. Applied evaluates the useful lives of its intangible assets each reporting period to determine whether events and circumstances require revising the remaining period of amortization. In addition, Applied reviews intangible assets for impairment when events or changes in circumstances indicate their carrying value may not be recoverable. Management considers such indicators as significant differences in actual product acceptance from the estimates, changes in the competitive and economic environments, technological advances, and changes in cost structure.

Details of finite-lived intangible assets were as follows:

	October 25, 2015			October 26, 2014		
	Purchased Technology	Other Intangible Assets	Total	Purchased Technology	Other Intangible Assets	Total
	(In millions)					
Gross carrying amount:						
Silicon Systems	$ 1,449	$ 252	$ 1,701	$ 1,346	$ 252	$ 1,598
Applied Global Services	28	44	72	28	44	72
Display	110	33	143	110	33	143
Energy and Environmental Solutions	4	12	16	5	17	22
Gross carrying amount	$ 1,591	$ 341	$ 1,932	$ 1,489	$ 346	$ 1,835
Accumulated amortization:						
Silicon Systems	$ (876)	$ (95)	$ (971)	$ (716)	$ (77)	$ (793)
Applied Global Services	(26)	(44)	(70)	(24)	(44)	(68)
Display	(110)	(33)	(143)	(110)	(31)	(141)
Energy and Environmental Solutions	(4)	(7)	(11)	(3)	(6)	(9)
Accumulated amortization	$ (1,016)	$ (179)	$ (1,195)	$ (853)	$ (158)	$ (1,011)
Carrying amount	$ 575	$ 162	$ 737	$ 636	$ 188	$ 824

Details of amortization expense for each fiscal year by segment were as follows:

	2015	2014	2013
		(In millions)	
Silicon Systems	$ 179	$ 173	$ 172
Applied Global Services	1	3	5
Display	2	2	6
Energy and Environmental Solutions	4	6	16
Total	$ 186	$ 184	$ 199

Amortization expense for each fiscal year was charged to the following categories:

	2015	2014	2013
		(In millions)	
Cost of products sold	$ 163	$ 159	$ 166
Research, development and engineering	1	1	1
Marketing and selling	20	21	26
General and administrative	2	3	6
Total	$ 186	$ 184	$ 199

As of October 25, 2015, future estimated amortization expense is expected to be as follows:

	Amortization Expense
	(In millions)
2016	189
2017	186
2018	185
2019	44
2020	39
Thereafter	94
Total	$ 737

Note 10 Borrowing Facilities and Debt

In September 2015, Applied entered into a $1.5 billion committed revolving credit agreement with a group of banks that is scheduled to expire in September 2020. This credit agreement provides for borrowings in United States dollars at interest rates keyed to one of various benchmark rates selected by Applied for each advance, plus a margin based on Applied’s public debt rating and includes financial and other covenants. The September 2015 credit agreement replaces Applied's $1.5 billion credit agreement entered into in May 2011. In addition, Applied has credit facilities in the amount of approximately $67 million with Japanese banks. Applied’s ability to borrow under these facilities is subject to bank approval at the time of the borrowing request, and any advances will be at rates indexed to the banks’ prime reference rate denominated in Japanese yen. No amounts were outstanding under any of these facilities at October 25, 2015 and October 26, 2014, and Applied has not utilized these credit facilities. In fiscal 2011, Applied established a short-term commercial paper program of up to $1.5 billion. At October 25, 2015 and October 26, 2014, Applied did not have any commercial paper outstanding.

In September 2015, Applied issued senior unsecured notes in the aggregate principal amount of $1.8 billion and used a portion of the net proceeds to redeem $400 million in principal amount of its 2.650% senior notes due in 2016 at a redemption price of $405 million in November 2015. After adjusting for the carrying value of debt issuance costs and discounts, Applied recorded a $5 million loss on the prepayment of the $400 million debt, which will be included as a non-operating loss in the Consolidated Statement of Operations for the first quarter of fiscal 2016.

In October 2015, a wholly-owned foreign subsidiary of Applied entered into a short-term loan agreement with multiple lenders, under which it borrowed $800 million to facilitate the return of capital to Applied.

Debt outstanding as of October 25, 2015 and October 26, 2014 was as follows:

	Principal Amount		Effective Interest Rate	Interest Pay Dates
	October 25, 2015	October 26, 2014		
	(In millions)			
Short-term debt:				
2.650% Senior Notes Due 2016	$ 400	$ —	2.666%	June 15, December 15
Other debt	800	$ —	1.0% - 1.25%	
Total short-term debt	1,200	—		
Long-term debt:				
2.650% Senior Notes Due 2016	—	400	2.666%	June 15, December 15
7.125% Senior Notes Due 2017	200	200	7.190%	April 15, October 15
2.625% Senior Notes Due 2020	600	—	2.640%	April 1, October 1
4.300% Senior Notes Due 2021	750	750	4.326%	June 15, December 15
3.900% Senior Notes Due 2025	700	—	3.944%	April 1, October 1
5.100% Senior Notes Due 2035	500	—	5.127%	April 1, October 1
5.850% Senior Notes Due 2041	600	600	5.879%	June 15, December 15
	3,350	1,950		
Total unamortized discount	(8)	(3)		
Total long-term debt	3,342	1,947		
Total debt	$ 4,542	$ 1,947		

Note 11 Restructuring Charges and Asset Impairments

From time to time, Applied initiates restructuring activities to appropriately align its cost structure and product investments relative to prevailing market conditions, competitive environment and customer demand. Costs associated with restructuring actions can include termination benefits and related charges, in addition to facility closure, contract termination and other related activities. Restructuring charges and asset impairments are included in general and administrative expenses in the Consolidated Statements of Operations.

The following table summarizes major components of the restructuring and asset impairment charges during each fiscal year:

	2015	2014	2013
		(In millions)	
2012 Global Restructuring Plan			
Severance and other employee-related costs	$ (1)	$ 5	$ 39
2012 EES Restructuring Plan			
Severance and other employee-related costs	—	—	8
Contract cancellation and other costs	(2)	—	6
Asset impairments	—	—	12
Others			
Severance and other employee-related costs	9	—	2
Contract cancellation and other costs	1	—	(4)
Asset impairments	7	—	—
	$ 14	$ 5	$ 63

Restructuring and asset impairment charges for each fiscal year were recorded as follows:

	2015	2014	2013
		(In millions)	
Silicon Systems	$ —	$ —	$ 1
Applied Global Services	—	—	2
Energy and Environmental Solutions	15	—	25
Corporate Unallocated	(1)	5	35
Total	$ 14	$ 5	$ 63

2012 Global Restructuring Plan

On October 3, 2012, Applied announced a restructuring plan (the 2012 Global Restructuring Plan) to realign its global workforce and enhance its ability to invest for growth. Under this plan, Applied implemented a voluntary retirement program and other workforce reduction actions. The voluntary retirement program was available to certain U.S. employees who met minimum age and length of service requirements, as well as other business-specific criteria. Applied implemented other workforce reduction actions globally across multiple business segments and functions, the extent of which depended on the number of employees who participated in the voluntary retirement program and other considerations. A total of approximately 1,300 positions were affected under this plan. As of January 26, 2014, principal activities related to this plan were complete.

During fiscal 2014 and 2013, Applied recognized $5 million and $39 million, respectively, of employee-related costs in connection with the 2012 Global Restructuring Plan. Total costs incurred in implementing this plan were $150 million, none of which were allocated to the operating segments.

2012 EES Restructuring Plan

On May 10, 2012, Applied announced a plan (the 2012 EES Restructuring Plan) to restructure its Energy and Environmental Solutions segment in light of challenging industry conditions affecting the solar photovoltaic and light-emitting diode (LED) equipment markets. As part of this plan, Applied relocated certain manufacturing, business operations and customer support functions of its precision wafering systems business and ceased LED development activities. The 2012 EES Restructuring Plan also impacted certain LED support activities in the Applied Global Services segment. The 2012 EES Restructuring Plan impacted approximately 300 positions globally. As of October 27, 2013, principal activities related to this plan were complete. Total costs incurred in implementing this plan were $87 million, of which $13 million were inventory-related charges.

During fiscal 2015, Applied recorded a favorable adjustment of $2 million associated with restructuring reserves under this program. During fiscal 2013, Applied recognized $26 million, of restructuring and asset impairment charges in connection with the 2012 EES Restructuring Plan. These costs were reported in the Energy and Environmental Solutions and Applied Global Services segments.

Other

During fiscal 2015, Applied implemented cost reduction measures in its solar business to achieve a lower break-even level and improve business performance and incurred $17 million in restructuring charges and asset impairments and $35 million of inventory-related charges recorded in cost of products sold. These costs are reported in Applied Global Services and Energy and Environmental Solutions segments. Total costs expected to be incurred in implementing these actions are in the range of $45 million to $55 million. Applied expects to complete the principal activities related to these actions by the second quarter of fiscal 2016. As of October 25, 2015, the restructuring accruals related to these actions were $4 million, of which $3 million is related to severance and other employee cost accruals.

During fiscal 2013, Applied also recognized $2 million of severance and other employee-related costs in connection with the integration of Varian. These costs were reported in the Silicon Systems and Applied Global Services segments. As of October 26, 2015, there were no remaining severance accrual associated with restructuring reserves under this program.

Changes in restructuring reserves were as follows:

	2012 Global Restructuring Plan	2012 EES Restructuring Plan		Others		
	Severance and Other Employee-Related Costs	Severance and Other Employee-Related Costs	Contract Cancellation and Other Costs	Severance and Other Employee-Related Costs	Contract Cancellation and Other Costs	Total
	(In millions)					
Balance, October 28, 2012	$ 106	$ 16	$ 1	$ 5	$ 5	$ 133
Provision for restructuring reserves	35	7	8	2	—	52
Consumption of reserves	(111)	(18)	(2)	(5)	—	(136)
Adjustment of restructuring reserves	(4)	—	(2)	—	(4)	(10)
Balance, October 27, 2013	$ 26	$ 5	$ 5	$ 2	$ 1	$ 39
Provision for restructuring reserves	7	—	—	—	—	7
Consumption of reserves	(27)	(5)	(1)	(2)	—	(35)
Adjustment of restructuring reserves	(2)	—	—	—	—	(2)
Balance, October 26, 2014	$ 4	$ —	$ 4	$ —	$ 1	$ 9
Provision for restructuring reserves	—	—	—	8	1	9
Consumption of reserves	(2)	—	(1)	(5)	(1)	(9)
Adjustment of restructuring reserves	(1)	—	(2)	—	—	(3)
Balance, October 25, 2015	$ 1	$ —	$ 1	$ 3	$ 1	$ 6

Note 12 Stockholders’ Equity, Comprehensive Income and Share-Based Compensation

Accumulated Other Comprehensive Income (Loss)

Changes in the components of AOCI, net of tax, were as follows:

	Unrealized Gain (Loss) on Investments, Net	Unrealized Gain (Loss) on Derivative Instruments Qualifying as Cash Flow Hedges	Defined and Postretirement Benefit Plans	Cumulative Translation Adjustments	Total
			(In millions)		
Balance at October 27, 2013	$ 25	$ 2	$ (72)	$ 7	$ (38)
Other comprehensive income (loss) before reclassifications	8	4	(36)	(2)	(26)
Amounts reclassified out of AOCI	(9)	(6)	3	—	(12)
Other comprehensive loss, net of tax	(1)	(2)	(33)	(2)	(38)
Balance at October 26, 2014	$ 24	$ —	$ (105)	$ 5	$ (76)
Other comprehensive income (loss) before reclassifications	(11)	(9)	(5)	—	(25)
Amounts reclassified out of AOCI	1	(6)	5	9	9
Other comprehensive income (loss), net of tax	(10)	(15)	—	9	(16)
Balance at October 25, 2015	$ 14	$ (15)	$ (105)	$ 14	$ (92)

Stock Repurchase Program

On April 26, 2015, Applied's Board of Directors approved a common stock repurchase program authorizing up to $3.0 billion in repurchases over the three years ending April 2018. At October 25, 2015, $1.7 billion remained available for future stock repurchases under this repurchase program. Applied's prior stock repurchase program ended in March 2015.

The following table summarizes Applied’s stock repurchases for each fiscal year:

	2015	2014	2013
	(In millions, except per share amounts)		
Shares of common stock repurchased	76	—	18
Cost of stock repurchased	$ 1,325	—	$ 245
Average price paid per share	$ 17.33	—	$ 13.60

Applied records treasury stock purchases under the cost method using the first-in, first-out (FIFO) method. Upon reissuance of treasury stock, amounts in excess of the acquisition cost are credited to additional paid in capital. If Applied reissues treasury stock at an amount below its acquisition cost and additional paid in capital associated with prior treasury stock transactions is insufficient to cover the difference between the acquisition cost and the reissue price, this difference is recorded against retained earnings.

Dividends

During each of fiscal 2015 and 2014, Applied's Board of Directors declared four quarterly cash dividends of $0.10 per share. During fiscal 2013, Applied’s Board of Directors declared three quarterly cash dividends of $0.10 per share and one quarterly cash dividend of $0.09 per share. Dividends paid during fiscal 2015, 2014 and 2013 amounted to $487 million, $485 million and $456 million, respectively. Applied currently anticipates that cash dividends will continue to be paid on a quarterly basis, although the declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on Applied’s financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination by the Board of Directors that cash dividends are in the best interests of Applied’s stockholders.

Share-Based Compensation

Applied has a stockholder-approved equity plan, the Employee Stock Incentive Plan, which permits grants to employees of share-based awards, including stock options, restricted stock, restricted stock units, performance shares and performance units. In addition, the plan provides for the automatic grant of restricted stock units to non-employee directors and permits the grant of share-based awards to non-employee directors and consultants. Share-based awards made beginning in March 2012 under the plan may be subject to accelerated vesting under certain circumstances in the event of a change in control of Applied. Applied also has two Employee Stock Purchase Plans, one generally for United States employees and a second generally for employees of international subsidiaries (collectively, ESPP), which enable eligible employees to purchase Applied common stock.

Applied recognized total share-based compensation expense related to stock options, ESPP shares, restricted stock, restricted stock units, performance shares and performance units, and related tax benefits for each fiscal year as follows:

	2015	2014	2013
		(In millions)	
Share-based compensation	$ 187	$ 177	$ 162
Tax benefit recognized	$ 52	$ 50	$ 45

The effect of share-based compensation on the results of operations for each fiscal year was as follows:

	2015	2014	2013
		(In millions)	
Cost of products sold	$ 57	$ 53	$ 50
Research, development, and engineering	69	66	53
Marketing and selling	26	23	20
General and administrative	35	35	34
Restructuring charge	—	—	5
Total	$ 187	$ 177	$ 162

The cost associated with share-based awards that are subject solely to time-based vesting requirements, less expected forfeitures, is recognized over the awards’ service period for the entire award on a straight-line basis. The cost associated with performance-based equity awards is recognized for each tranche over the service period, based on an assessment of the likelihood that the applicable performance goals will be achieved.

At October 25, 2015, Applied had $262 million in total unrecognized compensation expense, net of estimated forfeitures, related to grants of share-based awards and shares issued under Applied’s ESPP, which will be recognized over a weighted average period of 2.4 years. At October 25, 2015, there were 126 million shares available for grants of share-based awards under the Employee Stock Incentive Plan, and an additional 29 million shares available for issuance under the ESPP.

Stock Options

Applied grants options to purchase, at future dates, shares of its common stock to employees and consultants. The exercise price of each stock option equals the fair market value of Applied common stock on the date of grant. Options typically vest over three to four years, subject to the grantee's continued service with Applied through the scheduled vesting date, and expire no later than seven years from the grant date. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. This model was developed for use in estimating the value of publicly traded options that have no vesting restrictions and are fully transferable. Applied's employee stock options have characteristics significantly different from those of publicly traded options. There were no stock options granted during fiscal 2015 and 2014. The weighted average assumptions used in the model for the stock options granted and assumed are outlined below:

	2013
Stock Options:	
Dividend yield	2.7%
Expected volatility	29.5%
Risk-free interest rate	1.44%
Expected life (in years)	4.5

Information with respect to stock options for each fiscal year is as follows:

	2015	2014	2013
		(In millions)	
Aggregate intrinsic value of outstanding stock options	$ 6	$ 19	$ 49
Total intrinsic value of stock options exercised	$ 6	$ 39	$ 63
Total fair value of stock options vested	$ 1	$ 1	$ 4
Cash received from stock option exercises	$ 3	$ 29	$ 88
Actual tax benefit realized from options exercised	$ 2	$ 12	$ 19

Stock option activity during each fiscal year was as follows:

	2015		2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
			(In millions, except per share amounts)			
Outstanding, beginning of year	2	$ 10.87	6	$ 9.12	21	$ 10.53
Granted and assumed in Varian acquisition	—	$ —	—	$ —	1	$ 15.06
Exercised	(1)	$ 5.90	(4)	$ 7.85	(11)	$ 8.16
Canceled and forfeited	—	$ —	—	$ —	(5)	$ 17.62
Outstanding, end of year	1	$ 12.45	2	$ 10.87	6	$ 9.12
Exercisable, end of year	1	$ 10.98	1	$ 7.97	5	$ 7.90

The following table summarizes information with respect to options outstanding and exercisable at October 25, 2015:

	Options Outstanding								Options Exercisable				
Range of Exercise Prices	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Aggregate Intrinsic Value		Number of Shares		Weighted Average Exercise Price		Aggregate Intrinsic Value
	(In millions)			(In years)		(In millions)		(In millions)				(In millions)
$3.36 — $9.99	—	$	5.58	1.12	$	4		—	$	5.58	$	4
$10.00 — $15.06	1	$	15.03	4.80		2		1	$	15.00		1
	1	$	12.45	3.79	$	6		1	$	10.98	$	5
Options exercisable and expected to become exercisable	1	$	12.45	3.79	$	6						

Option prices at the lower end of the range were principally attributable to stock options assumed in connection with the Varian acquisition in fiscal 2012.

Restricted Stock Units, Restricted Stock, Performance Shares and Performance Units

Restricted stock units are converted into shares of Applied common stock upon vesting on a one-for-one basis. Restricted stock has the same rights as other issued and outstanding shares of Applied common stock except these shares generally have no right to dividends and are held in escrow until the award vests. Performance shares and performance units are awards that result in a payment to a grantee, generally in shares of Applied common stock on a one-for-one basis if performance goals and/or other vesting criteria established by the Human Resources and Compensation Committee of Applied's Board of Directors (the Committee) are achieved or the awards otherwise vest. Restricted stock units, restricted stock, performance shares and performance units typically vest over four years and vesting is usually subject to the grantee’s continued service with Applied and, in some cases, achievement of specified performance goals. The compensation expense related to the service-based awards is determined using the fair market value of Applied common stock on the date of the grant, and the compensation expense is recognized over the vesting period.

Restricted stock, performance shares and performance units granted to certain executive officers are subject to the achievement of specified performance goals (performance-based awards). These performance-based awards become eligible to vest only if performance goals are achieved and then actually will vest only if the grantee remains employed by Applied through each applicable vesting date. These performance-based awards require the achievement of targeted levels of adjusted annual operating profit margin. For performance-based awards granted in fiscal 2015 and 2013, additional shares become eligible for time-based vesting if Applied achieves certain levels of total shareholder return (TSR) relative to a peer group, comprised of companies in the Standard & Poor's 500 Information Technology Index, measured at the end of a two-year period.

The fair value of these performance-based awards is estimated on the date of grant and assumes that the specified performance goals will be achieved. If the goals are achieved, these awards vest over a specified remaining service period of generally three or four years, provided that the grantee remains employed by Applied through each scheduled vesting date. If the performance goals are not met as of the end of the performance period, no compensation expense is recognized and any previously recognized compensation expense is reversed. The expected cost of each award is reflected over the service period and is reduced for estimated forfeitures.

A summary of the changes in restricted stock units, restricted stock, performance shares and performance units outstanding under Applied’s equity compensation plans is presented below:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		(In millions, except per share amounts)		
Non-vested restricted stock units, restricted stock, performance shares and performance units at October 28, 2012	36	$ 11.53	2.6 years	$ 376
Granted	19	$ 10.55		
Vested	(11)	$ 11.44		
Canceled	(6)	$ 11.28		
Non-vested restricted stock units, restricted stock, performance shares and performance units at October 27, 2013	38	$ 11.11	2.4 years	$ 662
Granted	11	$ 16.58		
Vested	(13)	$ 11.13		
Canceled	(3)	$ 11.72		
Non-vested restricted stock units, restricted stock, performance shares and performance units at October 26, 2014	33	$ 12.59	2.3 years	$ 698
Granted	10	$ 22.60		
Vested	(15)	$ 12.04		
Canceled	(1)	$ 14.98		
Non-vested restricted stock units, restricted stock, performance shares and performance units at October 25, 2015	27	$ 16.41	2.2 years	$ 440
Non-vested restricted stock units, restricted stock, performance shares and performance units expected to vest	24	$ 15.93	2.0 years	$ 402

At October 25, 2015, 1 million additional performance-based awards could be earned upon certain levels of achievement of Applied's TSR relative to a peer group at a future date.

The actual tax benefit realized for the tax deductions from vested restricted stock units during fiscal 2015, 2014 and 2013 totaled $103 million, $61 million and $42 million, respectively.

Employee Stock Purchase Plans

Under the ESPP, substantially all employees may purchase Applied common stock through payroll deductions at a price equal to 85 percent of the lower of the fair market value of Applied common stock at the beginning or end of each 6-month purchase period, subject to certain limits. The number of shares issued under the ESPP during fiscal 2015, 2014 and 2013 was 5 million, 6 million and 7 million, respectively. Compensation expense is calculated using the fair value of the employees’ purchase rights under the Black-Scholes option pricing model. Underlying assumptions used in the model and the weighted average estimated fair value of purchase rights under the ESPP for each fiscal year are outlined in the following table:

	2015	2014	2013
ESPP:			
Dividend yield	2.20%	1.96%	2.80%
Expected volatility	31.8%	26.3%	24.8%
Risk-free interest rate	0.19%	0.06%	0.09%
Expected life (in years)	0.5	0.5	0.5
Weighted average estimated fair value	$4.55	$4.56	$3.08

Note 13 Employee Benefit Plans

Employee Bonus Plans

Applied has various employee bonus plans. A discretionary bonus plan provides for the distribution of a percentage of pre-tax income to Applied employees who are not participants in other performance-based incentive plans, up to a maximum percentage of eligible compensation. Other plans provide for bonuses to Applied's executives and other key contributors based on the achievement of profitability and/or other specified performance criteria. Charges under these plans for fiscal 2015, 2014 and 2013 were $307 million, $290 million and $269 million, respectively.

Employee Savings and Retirement Plan

Applied's Employee Savings and Retirement Plan (the 401(k) Plan) is qualified under Sections 401(a) and (k) of the Internal Revenue Code (the Code). Eligible employees may make salary deferral and catch-up contributions under the 401(k) Plan on a pre-tax basis and on a Roth basis, subject to an annual dollar limit established by the Code. Applied matches 100% of participant salary and/or Roth deferral contributions up to the first 3% of eligible contribution and then 50% of every dollar between 4% and 6% of eligible contribution. Applied does not make matching contributions on any catch-up contributions made by participants. Plan participants who were employed by Applied or any of its affiliates became 100% vested in their Applied matching contribution account balances. Applied's matching contributions under the 401(k) Plan were approximately $35 million, net of $1 million in forfeitures, for fiscal 2015 and $29 million, net of $1 million in forfeitures, for each of fiscal 2014 and 2013.

Defined Benefit Pension Plans of Foreign Subsidiaries and Other Post-Retirement Benefits

Several of Applied's foreign subsidiaries have defined benefit pension plans covering substantially all of their eligible employees. Benefits under these plans are typically based on years of service and final average compensation levels. The plans are managed in accordance with applicable local statutes and practices. Applied deposits funds for certain of these plans with insurance companies, pension trustees, government-managed accounts, and/or accrues the expense for the unfunded portion of the benefit obligation on its Consolidated Financial Statements. Applied's practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements as established by applicable local governmental oversight and taxing authorities. Depending on the design of the plan, local custom and market circumstances, the liabilities of a plan may exceed qualified plan assets. The differences between the aggregate projected benefit obligations and aggregate plan assets of these plans have been recorded as liabilities by Applied and are included in other liabilities and accrued expenses in the Consolidated Balance Sheets.

Applied also has a U.S. post-retirement plan that provides certain medical and vision benefits to eligible retirees who are at least age 55 and whose years of service plus their age equals at least 65 at their date of retirement. An eligible retiree also may elect coverage for an eligible spouse or domestic partner who is not eligible for Medicare. Coverage under the plan generally ends for both the retiree and spouse or domestic partner upon becoming eligible for Medicare. In addition, Applied also has a post-retirement benefit plan as a result of the acquisition of Varian. Applied's liability under these post-retirement plans, which was included in other liabilities in the Consolidated Balance Sheets, was $21 million at October 25, 2015 and $34 million at October 26, 2014.

A summary of the changes in benefit obligations and plan assets, which includes post-retirement benefits, for each fiscal year is presented below:

	2015	2014	2013
	(In millions, except percentages)		
Change in projected benefit obligation			
Beginning projected benefit obligation	$ 479	$ 445	$ 434
Service cost	15	17	20
Interest cost	13	17	15
Plan participants’ contributions	1	1	1
Actuarial (gain) loss	12	62	(16)
Curtailments, settlements and special termination benefits	(1)	(26)	(8)
Foreign currency exchange rate changes	(39)	(22)	10
Benefits paid	(9)	(12)	(10)
Plan amendments and business combinations	—	(3)	(1)
Ending projected benefit obligation	$ 471	$ 479	$ 445
Ending accumulated benefit obligation	$ 434	$ 446	$ 409
Range of assumptions to determine benefit obligations			
Discount rate	0.9% - 4.4%	1.0% - 4.4%	1.1% - 4.5%
Rate of compensation increase	1.9% - 3.6%	2.0% - 4.0%	2.0% - 4.7%
Change in plan assets			
Beginning fair value of plan assets	$ 268	$ 248	$ 214
Return on plan assets	19	20	18
Employer contributions	21	48	24
Plan participants’ contributions	1	1	1
Foreign currency exchange rate changes	(18)	(11)	8
Divestitures, settlements and business combinations	(1)	(26)	(7)
Benefits paid	(9)	(12)	(10)
Ending fair value of plan assets	$ 281	$ 268	$ 248
Funded status	$ (190)	$ (211)	$ (197)
Amounts recognized in the consolidated balance sheets			
Noncurrent asset	$ 19	$ 17	$ 9
Current liability	(3)	(3)	(4)
Noncurrent liability	(206)	(225)	(202)
Total	$ (190)	$ (211)	$ (197)
Estimated amortization from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal period			
Actuarial loss	$ 6	$ 6	$ 4
Prior service cost credit	(1)	—	—
Total	$ 5	$ 6	$ 4
Amounts recognized in accumulated other comprehensive loss			
Net actuarial loss	$ 135	$ 134	$ 91
Prior service cost (credit)	—	(1)	2
Total	$ 135	$ 133	$ 93
Plans with projected benefit obligations in excess of plan assets			
Projected benefit obligation	$ 308	$ 326	$ 438
Fair value of plan assets	$ 98	$ 98	$ 233
Plans with accumulated benefit obligations in excess of plan assets			
Accumulated benefit obligation	$ 274	$ 297	$ 269
Fair value of plan assets	$ 98	$ 98	$ 99

	2015	2014
Plan assets — allocation		
Equity securities	39%	39%
Debt securities	42%	38%
Insurance contracts	14%	15%
Other investments	4%	5%
Cash	1%	3%

The following table presents a summary of the ending fair value of the plan assets:

	October 25, 2015				October 26, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In millions)							
Equity securities	$ 42	$ 66	$ —	$ 108	$ 38	$ 66	$ —	$ 104
Debt securities	8	111	—	119	8	94	—	102
Insurance contracts	—	—	40	40	—	—	41	41
Other investments	—	12	—	12	—	12	—	12
Cash	2	—	—	2	9	—	—	9
Total	$ 52	$ 189	$ 40	$ 281	$ 55	$ 172	$ 41	$ 268

The following table presents the activity in Level 3 instruments for each fiscal year:

	2015	2014
	(In millions)	
Balance, beginning of year	$ 41	$ 47
Actual return on plan assets:		
Relating to assets still held at reporting date	2	—
Purchases, sales, settlements, net	1	(2)
Currency impact	(4)	(4)
Balance, end of year	$ 40	$ 41

Applied's investment strategy for its defined benefit plans is to invest plan assets in a prudent manner, maintaining well-diversified portfolios with the long-term objective of meeting the obligations of the plans as they come due. Asset allocation decisions are typically made by plan fiduciaries with input from Applied's international pension committee. Applied's asset allocation strategy incorporates a sufficient equity exposure in order for the plans to benefit from the expected better long-term performance of equities relative to the plans' liabilities. Applied retains investment managers, where appropriate, to manage the assets of the plans. Performance of investment managers is monitored by plan fiduciaries with the assistance of local investment consultants. The investment managers make investment decisions within the guidelines set forth by plan fiduciaries. Risk management practices include diversification across asset classes and investment styles, and periodic rebalancing toward target asset allocation ranges. Investment managers may use derivative instruments for efficient portfolio management purposes. Plan assets do not include any of Applied's own equity or debt securities.

A summary of the components of net periodic benefit costs and the weighted average assumptions used for net periodic benefit cost and benefit obligation calculations for each fiscal year is presented below:

	2015	2014	2013
	(In millions, except percentages)		
Components of net periodic benefit cost			
Service cost	$ 15	$ 17	$ 20
Interest cost	13	17	15
Expected return on plan assets	(15)	(14)	(12)
Amortization of actuarial loss and prior service credit	7	4	6
Settlement and curtailment loss	(1)	3	—
Net periodic benefit cost	$ 19	$ 27	$ 29
Weighted average assumptions			
Discount rate	3.00%	3.68%	3.46%
Expected long-term return on assets	5.62%	5.64%	5.38%
Rate of compensation increase	2.74%	3.29%	3.07%

Asset return assumptions are derived based on actuarial and statistical methodologies, from analysis of long-term historical data relevant to the country in which each plan is in effect and the investments applicable to the corresponding plan. The discount rate for each plan was derived by reference to appropriate benchmark yields on high quality corporate bonds, allowing for the approximate duration of both plan obligations and the relevant benchmark yields.

Future expected benefit payments for the pension plans and the post-retirement plan over the next ten fiscal years are as follows:

	Benefit Payments
	(In millions)
2016	$ 15
2017	12
2018	11
2019	12
2020	12
2021-2025	72
	$ 134

Company contributions to these plans for fiscal 2016 are expected to be approximately $14 million.

Executive Deferred Compensation Plans

Applied sponsors two unfunded deferred compensation plans, the Executive Deferred Compensation Plan (Predecessor EDCP) and the 2016 Deferred Compensation Plan (2016 DCP) (formerly known as the 2005 Executive Deferred Compensation Plan), under which certain employees may elect to defer a portion of their following year’s eligible earnings. The Predecessor EDCP was frozen as of December 31, 2004 such that no new deferrals could be made under the plan after that date and the plan would qualify for “grandfather” relief under Section 409A of the Code. The Predecessor EDCP participant accounts continue to be maintained under the plan and credited with deemed interest. The 2016 DCP was originally implemented by Applied effective as of January 1, 2005, and amended and restated as of October 12, 2015, and is intended to comply with the requirements of Section 409A of the Code. In addition, Applied also sponsors a non-qualified deferred compensation plan as a result of the acquisition of Varian. Amounts payable, including accrued deemed interest, totaled $38 million at October 25, 2015, which was included in other liabilities in the Consolidated Balance Sheets. Amounts payable, including accrued deemed interest, totaled $40 million at October 26, 2014, of which $35 million was included in accounts payable and accrued expenses and $5 million was included in other liabilities in the Consolidated Balance Sheets.

Note 14 Income Taxes

The components of income before income taxes for each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
U.S.	$ 629	$ 612	$ 194
Foreign	969	836	156
	$ 1,598	$ 1,448	$ 350

The components of the provision for income taxes for each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Current:			
U.S.	$ 134	$ 270	$ 3
Foreign	199	97	72
State	18	27	2
	351	394	77
Deferred:			
U.S.	(194)	(9)	34
Foreign	69	(3)	(19)
State	(5)	(6)	2
	(130)	(18)	17
	$ 221	$ 376	$ 94

A reconciliation between the statutory U.S. federal income tax rate of 35 percent and Applied's actual effective income tax rate for each fiscal year is presented below:

	2015	2014	2013
Tax provision at U.S. statutory rate	35.0 %	35.0 %	35.0 %
Resolutions from prior years' income tax filings	(4.9)	2.0	(4.7)
Effect of foreign operations taxed at various rates	(16.3)	(10.9)	(21.1)
State income taxes, net of federal benefit	0.9	1.0	0.8
Research and other tax credits	(0.2)	(0.3)	(5.4)
U.S. domestic production deduction	(0.6)	(1.3)	(1.0)
Acquisition costs	(1.1)	0.8	—
Goodwill impairment	—	—	22.5
Share-based compensation	0.8	0.4	2.2
Other	0.2	(0.7)	(1.4)
	13.8 %	26.0 %	26.9 %

The effective tax rate for fiscal 2015 was lower than the rate for fiscal 2014 due primarily to acquisition costs that became deductible in the second quarter of fiscal 2015 as a result of the termination of the proposed business combination with TEL, an adjustment in the second quarter of fiscal 2015 to correct an error in the recognition of cost of sales in the U.S. related to intercompany sales, reinstatement of the U.S. federal research and development tax credit during the first quarter of fiscal 2015 which was retroactive to its expiration in December 2013, resolutions and changes related to income tax liabilities for prior years, and changes in the geographical composition of income.

The effective tax rate for fiscal 2014 was lower than the rate for fiscal 2013 due primarily to nondeductible goodwill impairment charges in fiscal 2013, offset by resolutions and changes related to prior years and expiration of the U.S. federal research and development tax credit.

In the reconciliation between the statutory U.S. federal income tax rate and the actual effective income tax rate for fiscal 2015, the effect of foreign operations taxed at various rates represents the difference between an income tax provision at the U.S. federal statutory income tax rate and the recorded income tax provision, with the difference expressed as a percentage of worldwide income before income taxes. This effect is substantially related to the tax effect of foreign income before income taxes in jurisdictions with lower statutory tax rates. The foreign operations with the most significant effective tax rate impact are Singapore and Israel. The statutory tax rates for fiscal 2015 for Singapore and Israel are 17% and 26.5%, respectively. Applied has been granted tax holidays for both jurisdictions that expire in fiscal 2026 and fiscal 2017, respectively, excluding potential renewals and subject to certain conditions with which Applied expects to comply. The tax benefit arising from these tax holidays was $68 million for fiscal 2015 or $0.06 per diluted share.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of deferred income tax assets and liabilities were as follows:

	October 25, 2015	October 26, 2014
	(In millions)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 20	$ 26
Inventory reserves and basis difference	155	128
Installation and warranty reserves	11	18
Accrued liabilities	106	123
Deferred revenue	17	32
Tax credits and net operating losses	196	160
Deferred compensation	79	44
Share-based compensation	53	57
Fixed assets	—	16
Other	150	27
Gross deferred tax assets	787	631
Valuation allowance	(207)	(173)
Total deferred tax assets	580	458
Deferred tax liabilities:		
Fixed assets	(15)	—
Intangible assets	(91)	(92)
Undistributed foreign earnings	(68)	(87)
Foreign exchange	(4)	(12)
Total gross deferred tax liabilities	(178)	(191)
Net deferred tax assets	$ 402	$ 267

The following table presents the breakdown between current and non-current net deferred tax assets and liabilities:

	October 25, 2015	October 26, 2014
	(In millions)	
Current deferred tax asset	$ 403	$ 232
Non-current deferred tax asset	55	67
Non-current deferred tax liability	(56)	(32)
	$ 402	$ 267

Current deferred tax liabilities are included in accounts payable and accrued expenses on the Consolidated Balance Sheets and non-current deferred tax liabilities are included in other liabilities on the Consolidated Balance Sheets.

A valuation allowance is recorded to reflect the estimated amount of net deferred tax assets that may not be realized. Changes in the valuation allowance in each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Beginning balance	$ 173	$ 116	$ 46
Increases	40	60	70
Decreases	(6)	(3)	—
Ending balance	$ 207	$ 173	$ 116

For fiscal 2015, U.S. income taxes have not been provided for approximately $4.1 billion of cumulative undistributed earnings of several foreign subsidiaries. Applied intends to reinvest these earnings indefinitely in operations outside of the U.S. If these earnings were distributed to the U.S. in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, Applied would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

At October 25, 2015, Applied has state research and development tax credit carryforwards of $179 million, including $143 million of credits that are carried over until exhausted and $36 million which are carried over for 15 years and begin to expire in fiscal 2021. Applied has a net operating loss carryover in state jurisdictions of $34 million which begin to expire in fiscal 2018. Management believes it is more likely than not that all loss and tax credit carryovers at October 25, 2015, net of valuation allowance, will be utilized in future periods.

Applied's income taxes payable have been reduced by the tax benefits associated with employee stock option transactions. These benefits, credited directly to stockholders' equity with a corresponding reduction to taxes payable, amounted to $56 million, $27 million and $11 million for fiscal 2015, 2014 and 2013, respectively.

Applied maintains liabilities for uncertain tax positions. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available. A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits in each fiscal year is as follows:

	2015	2014	2013
		(In millions)	
Beginning balance of gross unrecognized tax benefits	$ 134	$ 194	$ 174
Settlements with tax authorities	(16)	(143)	(15)
Lapses of statutes of limitation	(1)	(2)	(15)
Increases in tax positions for current year	43	52	48
Increases in tax positions for prior years	21	42	2
Decreases in tax positions for prior years	(4)	(9)	—
Ending balance of gross unrecognized tax benefits	$ 177	$ 134	$ 194

In the provision for income taxes in the Consolidated Statements of Operations, a tax benefit of $6 million, a tax expense of $18 million, and a tax benefit of $1 million were realized in fiscal 2015, 2014 and 2013, respectively, related to interest and penalties on unrecognized tax benefits. The liability for interest and penalties for fiscal 2015, 2014 and 2013 was $14 million, $25 million and $7 million, respectively, and was classified as a non-current liability in the Consolidated Balance Sheets.

Included in the ending balance of unrecognized tax benefits for fiscal 2015, 2014 and 2013 are $167 million, $124 million and $183 million, respectively, of tax benefits that, if recognized, would affect the effective tax rate. Also included in the ending balance of unrecognized tax benefits for fiscal 2015, 2014 and 2013 are $9 million, $9 million and $10 million respectively, of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

In fiscal 2015, Applied paid $19 million, including interest and penalties, as a result of a settlement of fiscal 2009 through fiscal 2011 in Italy and paid $2 million, including interest, as a result of a settlement of fiscal 2013 in Switzerland. These settlements resulted in the recognition of a tax benefit of $10 million in the Consolidated Statements of Operations. In fiscal 2014, Applied received a refund of $18 million, including interest, as a result of a settlement of fiscal 2008 through fiscal 2012 in Korea, and received a refund of $17 million, including interest, as a result of a settlement with the Internal Revenue Service for fiscal 2010 related to Varian. These settlements resulted in the recognition of a tax benefit of $3 million in the Consolidated Statements of Operations. In fiscal 2013, Applied received a refund of $31 million, including interest, as a result of a settlement with the Internal Revenue Service for fiscal 2008 and fiscal 2009. This resulted in the recognition of a tax benefit of $12 million in the Consolidated Statement of Operations. In fiscal 2013, Applied paid $14 million to the Internal Revenue Service as part of an ongoing audit of Varian for fiscal 2010 through fiscal 2012. No tax expense or benefit was recognized.

A number of Applied’s tax returns remain subject to examination by taxing authorities. These include U.S. federal and state returns for fiscal 2010 and later years, and tax returns in certain jurisdictions outside of the United States for fiscal 2009 and later years.

The timing of the resolution of income tax examinations, as well as the amounts and timing of various tax payments that may be part of the settlement process, is highly uncertain. This could cause large fluctuations in the balance sheet classification of current assets and non-current assets and liabilities. Applied continues to have ongoing negotiations with various taxing authorities throughout the year.

Note 15 Warranty, Guarantees, Commitments and Contingencies

Leases

Applied leases some of its facilities and equipment under non-cancelable operating leases and has options to renew most leases, with rentals to be negotiated. Total rent expense for fiscal 2015, 2014 and 2013, was $32 million, $37 million and $36 million, respectively.

As of October 25, 2015, future minimum lease payments are expected to be as follows:

Fiscal	Lease Payments (In millions)
2016	$ 25
2017	16
2018	8
2019	5
2020	3
Thereafter	4
	$ 61

Warranty

Changes in the warranty reserves during each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Beginning balance	$ 113	$ 102	$ 119
Provisions for warranty	117	115	103
Consumption of reserves	(104)	(104)	(120)
Ending balance	$ 126	$ 113	$ 102

Applied products are generally sold with a 12-month warranty period following installation. The provision for the estimated cost of warranty is recorded when revenue is recognized. Parts and labor are covered under the terms of the warranty agreement. The warranty provision is based on historical experience by product, configuration and geographic region. Quarterly warranty consumption is generally associated with sales that occurred during the preceding four quarters, and quarterly warranty provisions are generally related to the current quarter’s sales.

Guarantees

In the ordinary course of business, Applied provides standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated by either Applied or its subsidiaries. As of October 25, 2015, the maximum potential amount of future payments that Applied could be required to make under these guarantee agreements was approximately $58 million. Applied has not recorded any liability in connection with these guarantee agreements beyond that required to appropriately account for the underlying transaction being guaranteed. Applied does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid under these guarantee agreements.

Applied also has agreements with various banks to facilitate subsidiary banking operations worldwide, including overdraft arrangements, issuance of bank guarantees, and letters of credit. As of October 25, 2015, Applied Materials Inc. has provided parent guarantees to banks for approximately $100 million to cover these arrangements.

In October 2015, a wholly-owned foreign subsidiary of Applied entered into a short-term loan agreement, guaranteed by Applied, under which it borrowed $800 million to facilitate the return of capital to Applied.

Legal Matters

Korea Criminal Proceedings

In 2010, the Seoul Eastern District Court began hearings on indictments brought by the Seoul Prosecutor's Office for the Eastern District of Korea (the Prosecutor's Office) alleging that employees of several companies improperly received and used confidential information belonging to Samsung Electronics Co., Ltd. (Samsung), a major Applied customer based in Korea. The individuals charged included the former head of Applied Materials Korea (AMK), who at the time of the indictment was a vice president of Applied Materials, Inc., and certain other AMK employees. Neither Applied nor any of its subsidiaries was named as a party to the proceedings. Hearings on these matters concluded in November 2012 and the Court issued its decision on February 7, 2013. As part of the ruling, nine AMK employees (including the former head of AMK) were acquitted of all charges, while one AMK employee was found guilty on some of the charges and received a suspended jail sentence. The Prosecutor's Office and various individuals appealed the matter to the High Court. On June 20, 2014, the High Court rendered its decision, finding all defendants not guilty, including all ten AMK employees. The prosecutor has appealed the High Court decision to the Korean Supreme Court.

Other Matters

From time to time, Applied receives notification from third parties, including customers and suppliers, seeking indemnification, litigation support, payment of money or other actions by Applied in connection with claims made against them. In addition, from time to time, Applied receives notification from third parties claiming that Applied may be or is infringing or misusing their intellectual property or other rights. Applied also is subject to various other legal proceedings and claims, both asserted and unasserted, that arise in the ordinary course of business.

Although the outcome of the above-described matters, claims and proceedings cannot be predicted with certainty, Applied does not believe that any will have a material effect on its consolidated financial condition or results of operations.

Note 16 Industry Segment Operations

Applied's four reportable segments remain Silicon Systems, Applied Global Services, Display, and Energy and Environmental Solutions. As defined under the accounting literature, Applied's chief operating decision-maker has been identified as the President and Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company.

During the third quarter of fiscal 2015, Applied implemented a new management structure, which resulted in changes in Applied's reporting units. Applied determined its reporting units by first identifying its operating segments, and then assessing whether components of these operating segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. Applied aggregates reporting units within an operating segment that have similar economic characteristics and are similar in nature of their products and services, production processes, type or class of customers, distribution methods and operational environment. Applied identified three reporting units, which include the Transistor and Interconnect Group, Patterning and Packaging Group, and Imaging and Process Control Group, which combine to form the Silicon Systems reporting segment. The new management structure did not affect Applied Global Services, Display and Energy and Environmental Solutions reporting segments.

Each operating segment is separately managed and has separate financial results that are reviewed by Applied's chief operating decision-maker. Each reportable segment contains closely related products that are unique to the particular segment. Segment operating income is determined based upon internal performance measures used by Applied's chief operating decision-maker. Future changes to this internal financial structure may result in changes to Applied's reportable segments.

Applied derives the segment results directly from its internal management reporting system. The accounting policies Applied uses to derive reportable segment results are substantially the same as those used for external reporting purposes. Management measures the performance of each reportable segment based upon several metrics including orders, net sales and operating income. Management uses these results to evaluate the performance of, and to assign resources to, each of the reportable segments. Applied does not allocate to its reportable segments certain operating expenses that it manages separately at the corporate level, which include costs related to share-based compensation; certain management, finance, legal, human resources, and research, development and engineering functions provided at the corporate level; and unabsorbed information technology and occupancy. In addition, Applied does not allocate to its reportable segments restructuring and asset impairment charges and any associated adjustments related to restructuring actions, unless these actions pertain to a specific reportable segment. Segment operating income excludes interest income/expense and other financial charges and income taxes. Management does not consider the unallocated costs in measuring the performance of the reportable segments.

The Silicon Systems reportable segment includes semiconductor capital equipment for etch, rapid thermal processing, deposition, chemical mechanical planarization, metrology and inspection, wafer packaging, and ion implantation.

The Applied Global Services segment includes technically differentiated products and services to improve operating efficiency, reduce operating costs and lessen the environmental impact of semiconductor, display and solar customers' factories. Applied Global Services' products consist of spares, services, certain earlier generation products, remanufactured equipment, and products that have reached a particular stage in the product lifecycle. Customer demand for these products and services is fulfilled through a global distribution system with trained service engineers located in close proximity to customer sites.

The Display segment includes products for manufacturing liquid crystal displays (LCDs), organic light-emitting diodes (OLEDs), and other display technologies for TVs, personal computers, tablets, smart phones, and other consumer-oriented devices.

The Energy and Environmental Solutions segment includes products for fabricating solar photovoltaic cells and modules, as well as high throughput roll-to-roll deposition equipment for flexible electronics and other applications.

Information for each reportable segment for and as of the end of each fiscal year is as follows:

	Net Sales	Operating Income (Loss)	Depreciation/ Amortization	Capital Expenditures	Segment Assets
			(In millions)		
2015:					
Silicon Systems	$ 6,135	$ 1,410	$ 268	$ 115	$ 5,464
Applied Global Services	2,531	664	10	12	2,254
Display	780	156	5	13	456
Energy and Environmental Solutions	213	(61)	7	3	118
Total Segment	$ 9,659	$ 2,169	$ 290	$ 143	$ 8,292
2014:					
Silicon Systems	$ 5,978	$ 1,391	$ 268	$ 134	$ 5,508
Applied Global Services	2,200	573	11	7	2,042
Display	615	129	5	4	423
Energy and Environmental Solutions	279	15	9	1	173
Total Segment	$ 9,072	$ 2,108	$ 293	$ 146	$ 8,146
2013:					
Silicon Systems	$ 4,775	$ 876	$ 260	$ 118	$ 5,525
Applied Global Services	2,023	436	13	7	1,958
Display	538	74	8	6	293
Energy and Environmental Solutions	173	(433)	22	1	183
Total Segment	$ 7,509	$ 953	$ 303	$ 132	$ 7,959

Operating results for fiscal 2015, 2014 and 2013 included restructuring charges and asset impairments as discussed in detail in Note 11, Restructuring Charges and Asset Impairments.

Reconciliations of segment operating results to Applied consolidated totals for each fiscal year are as follows:

	2015	2014	2013
		(In millions)	
Total segment operating income	$ 2,169	$ 2,108	$ 953
Corporate and unallocated costs	(515)	(540)	(462)
Restructuring charges and asset impairments	—	(5)	(35)
Certain items associated with terminated business combination	(50)	(73)	(17)
Gain (loss) on derivatives associated with terminated business combination	89	30	(7)
Income from operations	$ 1,693	$ 1,520	$ 432

Reconciliations of depreciation and amortization expense to Applied consolidated totals for each fiscal year are as follows:

	2015	2014	2013
		(In millions)	
Total segment depreciation and amortization	$ 290	$ 293	$ 303
Depreciation on shared facilities and information technology assets	81	82	107
Consolidated depreciation and amortization	$ 371	$ 375	$ 410

Reconciliations of capital expenditures to Applied consolidated totals for each fiscal year are as follows:

	2015	2014	2013
		(In millions)	
Total segment capital expenditures	$ 143	$ 146	$ 132
Shared facilities and information technology assets	72	95	65
Consolidated capital expenditures	$ 215	$ 241	$ 197

Reconciliations of segment assets to Applied consolidated totals for each fiscal year are as follows:

	October 25, 2015	October 26, 2014
	(In millions)	
Total segment assets	$ 8,292	$ 8,146
Cash and investments	5,911	4,060
Allowance for bad debts	(49)	(58)
Deferred income taxes	458	299
Other current assets	148	147
Common property, plant and equipment	514	522
Other assets	34	58
Consolidated total assets	$ 15,308	$ 13,174

For geographical reporting, revenue by geographic location is determined by the location of customers' facilities to which products were shipped. Long-lived assets consist primarily of property, plant and equipment and equity-method investments, and are attributed to the geographic location in which they are located. Net sales and long-lived assets by geographic region for and as of each fiscal year were as follows:

	2015	2014	2013
		(In millions)	
Net sales:			
United States	$ 1,630	$ 1,966	$ 1,473
Taiwan	2,600	2,702	2,640
China	1,623	1,608	787
Korea	1,654	965	924
Japan	1,078	817	685
Europe	642	658	680
Southeast Asia	432	356	320
Total outside United States	8,029	7,106	6,036
Consolidated total	$ 9,659	$ 9,072	$ 7,509

	October 25, 2015	October 26, 2014
	(In millions)	
Long-lived assets:		
United States	$ 705	$ 636
Taiwan	39	34
China	46	61
Korea	12	12
Japan	6	5
Europe	75	99
Southeast Asia	73	77
Total outside United States	251	288
Consolidated total	$ 956	$ 924

The following customers accounted for at least 10 percent of Applied's net sales in each fiscal year, which were for products in multiple reportable segments:

	2015	2014	2013
Samsung Electronics Co., Ltd.	18%	12%	13%
Taiwan Semiconductor Manufacturing Company Limited	15%	21%	27%

Note 17 Unaudited Quarterly Consolidated Financial Data

	Fiscal Quarter				
	First	Second	Third	Fourth	Fiscal Year
	(In millions, except per share amounts)				
2015:					
Net sales	$ 2,359	$ 2,442	$ 2,490	$ 2,368	$ 9,659
Gross profit	$ 959	$ 1,016	$ 1,018	$ 959	$ 3,952
Net income	$ 348	$ 364	$ 329	$ 336	$ 1,377
Earnings per diluted share	$ 0.28	$ 0.29	$ 0.27	$ 0.28	$ 1.12
2014:					
Net sales	$ 2,190	$ 2,353	$ 2,265	$ 2,264	$ 9,072
Gross profit	$ 891	$ 1,001	$ 992	$ 959	$ 3,843
Net income	$ 253	$ 262	$ 301	$ 256	$ 1,072
Earnings per diluted share	$ 0.21	$ 0.21	$ 0.24	$ 0.21	$ 0.87

INDEX TO EXHIBITS

These Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

		Incorporated by Reference			
Exhibit No.	**Description**	**Form**	**File No.**	**Exhibit No.**	**Filing Date**
3.1	Certificate of Incorporation of Applied Materials, Inc., as amended and restated through March 10, 2009	10-Q	000-06920	3.1	6/3/2009
3.2	Certificate of Designation, Preferences and Rights of the Terms of the Series A Junior Participating Preferred Stock dated as of July 9, 1999	10-Q	000-06920	3(i)(a)	9/14/1999
3.3	Bylaws of Applied Materials, Inc., amended and restated to December 6, 2011	8-K	000-06920	3.1	12/7/2011
4.1	Form of Indenture (including form of debt security) between Applied Materials, Inc. and Harris Trust Company of California, as Trustee	8-K	000-06920	4.1	8/17/1994
4.2	Indenture, dated June 8, 2011, by and between Applied Materials, Inc. and U.S. Bank National Association, as Trustee	8-K	000-06920	4.1	6/10/2011
4.3	First Supplemental Indenture, dated June 8, 2011, by and between Applied Materials, Inc. and U.S. Bank National Association, as Trustee	8-K	000-06920	4.2	6/10/2011
4.4	Second Supplemental Indenture, dated September 24, 2015, by and between Applied Materials, Inc. and U.S. Bank National Association, as Trustee	8-K	000-06920	4.1	9/24/2015
10.1	Form of Indemnification Agreement between Applied Materials, Inc. and Non-Employee Directors	10-K	000-06920	10.44	1/31/2000
10.2	Form of Indemnification Agreement between Applied Materials, Inc. and certain of its officers	10-K	000-06920	10.46	1/31/2000
10.3	Applied Materials, Inc. Profit Sharing Scheme (Ireland)	S-8	333-45011	4.1	1/27/1998
10.4*	Applied Materials, Inc. amended and restated Relocation Policy	8-K	000-06920	10.46	10/31/2005
10.5*	Applied Materials Inc. Employee Financial Assistance Plan, amended and restated as of December 18, 2008	10-Q	000-06920	10.58	3/3/2009
10.6	Deed of Amendment to Applied Materials Profit Sharing Scheme, dated February 7, 2006, to amend Clause 20 of the Trust Deed thereunder	10-K	000-06920	10.48	12/12/2008
10.7	Deed of Amendment to Applied Materials Profit Sharing Scheme, dated February 7, 2006, to amend the definition of Eligible Employee in the First Schedule to the Trust Deed thereunder.	10-K	000-06920	10.49	12/12/2008
10.8*	Form of Non-Qualified Stock Option Agreement for Employees for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.63	3/3/2009
10.9*	Form of Performance Share Agreement for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.71	6/9/2010
10.10*	Form of Restricted Stock Agreement for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.72	6/9/2010
10.11*	Form of Performance Unit Agreement for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.1	2/27/2012

Exhibit No.	Description	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date
10.12*	Applied Materials, Inc. Employee Stock Incentive Plan, amended and restated effective March 6, 2012	8-K	000-06920	10.1	3/9/2012
10.13*	Applied Materials, Inc. Senior Executive Bonus Plan, amended and restated effective March 6, 2012	8-K	000-06920	10.2	3/9/2012
10.14*	Form of Restricted Stock Unit Agreement for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan	10-Q	000-06920	10.3	5/24/2012
10.15*	Form of Restricted Stock Unit Agreement for Nonemployee Directors for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan	10-Q	000-06920	10.4	5/24/2012
10.16*	Form of Performance Shares Agreement for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan	10-Q	000-06920	10.5	5/24/2012
10.17*	Form of Restricted Stock Agreement for use under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan	10-Q	000-06920	10.3	8/23/2012
10.18*	Applied Materials, Inc. Employees' Stock Purchase Plan, amended and restated effective October 28, 2012	10-K	000-06920	10.54	12/5/2012
10.19*	Offer Letter, dated August 14, 2013, between Applied Materials, Inc. and Gary E. Dickerson	10-Q	000-06920	10.2	8/22/2013
10.20*	Offer Letter, dated August 15, 2013, between Applied Materials, Inc. and Michael R. Splinter	10-Q	000-06920	10.3	8/22/2013
10.21*	Form of Non-Qualified Stock Option Agreement for Employees for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.4	8/22/2013
10.22*	Form of Retention Bonus and Equity Award Amendment Agreement entered into between Applied Materials, Inc. and certain officers identified in the attached schedule	10-K	000-06920	10.53	12/4/2013
10.23*	Retention and Equity Award Amendment Agreement, dated December 20, 2013, between Applied Materials, Inc. and Michael R. Splinter	10-Q	000-06920	10.1	2/20/2014
10.24*	Form of Performance Unit Agreement for use under the Applied Materials, Inc. Employee Stock Incentive Plan, as amended	10-Q	000-06920	10.2	2/20/2014
10.25*	Form of Letter of Understanding for Long-Term Assignment	10-K	000-06920	10.49	12/17/2014
10.26*	Form of Amendment to Retention Bonus and Equity Award Amendment Agreement entered into between Applied Materials, Inc. and certain officers identified in the attached schedule	10-Q	000-06920	10.2	2/19/2015
10.27*	Equity Award Amendment Agreement, dated December 11, 2014, between Applied Materials, Inc. and Charles Read	10-Q	000-06920	10.3	2/19/2015
10.28*	Applied Materials, Inc. Applied Incentive Plan, amended and restated effective October 27, 2014	10-Q	000-06920	10.4	2/19/2015

Exhibit No.	Description	Form	File No. (Incorporated by Reference)	Exhibit No.	Filing Date
10.29*	Form of Performance Shares Agreement for fiscal 2015 performance-based equity awards for certain executive officers under the amended and restated Applied Materials, Inc. Employee Stock Incentive Plan	10-Q	000-06920	10.5	2/19/2015
10.30	Credit Agreement, dated as of September 3, 2015, among Applied Materials, Inc., JPMorgan Chase Bank, N.A., as administrative agent, and other lenders named therein	8-K	000-06920	10.1	9/9/2015
10.31*	Separation Agreement and Release, dated as of August 7, 2015, by and between Randhir Thakur and Applied Materials, Inc.	8-K	000-06920	10.1	8/10/2015
10.32*	Applied Materials, Inc. Stock Purchase Plan for Offshore Employees, amended and restated effective July 15, 2015†				
10.33*	Applied Materials, Inc. 2016 Deferred Compensation Plan†				
21	Subsidiaries of Applied Materials, Inc.†				
23	Consent of Independent Registered Public Accounting Firm, KPMG LLP†				
24	Power of Attorney (included on the signature page of this Annual Report on Form 10-K)†				
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†				
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡				
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡				
101.INS	XBRL Instance Document‡				
101.SCH	XBRL Taxonomy Extension Schema Document‡				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document‡				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document‡				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document‡				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document‡				

* Indicates a management contract or compensatory plan or arrangement, as required by Item 15(a)(3).

† Filed herewith.

‡ Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLIED MATERIALS, INC.

By: /s/ GARY E. DICKERSON

Gary E. Dickerson

President, Chief Executive Officer

Dated: December 9, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gary E. Dickerson, Robert J. Halliday and Thomas F. Larkins, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Title	Date
/s/ GARY E. DICKERSON Gary E. Dickerson	President, Chief Executive Officer (Principal Executive Officer)	December 9, 2015
/s/ ROBERT J. HALLIDAY Robert J. Halliday	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	December 9, 2015
/s/ CHARLES W. READ Charles W. Read	Corporate Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	December 9, 2015
/s/ WILLEM P. ROELANDTS Willem P. Roelandts	Chairman of the Board	December 9, 2015
/s/ XUN CHEN Xun Chen	Director	December 9, 2015
/s/ AART J. DE GEUS Aart J. de Geus	Director	December 9, 2015
/s/ STEPHEN R. FORREST Stephen R. Forrest	Director	December 9, 2015
/s/ THOMAS J. IANNOTTI Thomas J. Iannotti	Director	December 9, 2015
/s/ SUSAN M. JAMES Susan M. James	Director	December 9, 2015
Alexander A. Karsner	Director	
/s/ DENNIS D. POWELL Dennis D. Powell	Director	December 9, 2015
/s/ ROBERT H. SWAN Robert H. Swan	Director	December 9, 2015

Exhibit 10.32

APPLIED MATERIALS, INC.
STOCK PURCHASE PLAN
FOR OFFSHORE EMPLOYEES

(Amended and Restated Effective as of July 15, 2015)

1. INTRODUCTION

Applied Materials, Inc. (the "Corporation"), having established the Applied Materials, Inc. Stock Purchase Plan for Offshore Employees (the "Plan"), hereby amends and restates the Plan in its entirety, effective as of July 15, 2015 (the "2015 Restatement Date"), as set forth herein. The Plan is intended to encourage ownership of common stock of the Corporation by eligible employees of participating affiliates of the Corporation ("Eligible Employees") and to provide incentives for them to exert maximum efforts for the success of the Corporation. By extending to Eligible Employees the opportunity to acquire proprietary interests in the Corporation and to participate in its success, the Plan may be expected to benefit the Corporation and its shareholders by making it possible to attract and retain qualified employees.

2. DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 "Affiliate" means any direct or indirect subsidiary of the Corporation which has been designated by the Board as a subsidiary that participates in the Plan.

2.2 "Board" means the Board of Directors of the Corporation, as from time to time constituted.

2.3 "Common Stock" means the common stock of the Corporation.

2.4 "Committee" means the committee, if any, appointed by the Board (pursuant to Section 4.3) to administer the Plan or any part thereof.

2.5 "Corporation" means Applied Materials, Inc., a Delaware Corporation.

2.6 "Eligible Employee" means any natural person employed by an Affiliate who is eligible to participate in the Plan in accordance with Section 5.

2.7 "Grant Date" means the date specified by the Board for the granting of Options in an Offering (as defined in Section 6).

2.8 "Option" means an option to acquire Common Stock under the terms of this Plan.

2.9 "Participating Employee" means, with respect to each Offering, any Eligible Employee who has elected to participate in accordance with Section 7.

2.10 "Plan" means this Stock Purchase Plan for Offshore Employees, as amended from time to time.

2.11 “Plan Administrator” means the employee or employees of the Corporation or of an Affiliate selected by the Board to perform assigned duties in the administration of the Plan.

2.12 “Share” means a share of Common Stock.

3. SHARES SUBJECT TO THE PLAN

No more than 35,800,000 Shares may be issued upon the exercise of Options granted under the Plan, subject to adjustments as provided in Section 9, which may be unissued Shares, reacquired Shares, or Shares bought on the open market. If any Option which shall have been granted shall expire or terminate for any reason without having been exercised in full, the unpurchased Shares shall again become available for purposes of the Plan (unless the Plan shall have been terminated).

4. ADMINISTRATION

4.1 The Plan shall be administered by the Board except to the extent that the Board has delegated responsibility for the administration of the Plan as stated in Section 4.3.

4.2 The Board shall have the plenary power, subject to and within the limits of the express provisions of the Plan:

(a) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, shall generally determine all questions of policy and expediency that may arise, and may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any instrument associated with the Plan, in such manner and to such extent as the Board shall deem necessary to make the Plan fully effective; and

(b) To establish the terms of each Offering.

4.3 The Board, by resolution, may delegate responsibility for the administration of the Plan or any part thereof, to the Committee, which shall be composed of members of the Board. Until and unless otherwise determined by the Board, the Human Resources and Compensation Committee of the Board shall be the Committee under the Plan and shall have full, but non-exclusive, authority to administer the Plan in accordance with its terms. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board. To the extent that responsibility for the administration of the Plan is delegated to the Committee, the Committee shall have the powers theretofore possessed by the Board, and to the extent that the Committee has been authorized to act, all references in this Plan to the Board shall include the Committee, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted by the Board from time to time. The Committee may delegate all or a portion of its authority to act to one or more employees of the Corporation or an Affiliate, and to the extent of such delegation, references in the Plan to the Committee shall include any such delegates. The Board at any time, by resolution, may revoke such delegation and re-vest in the Board all or any part of the responsibility for the administration of the Plan.

4.4 The Board may delegate to the Plan Administrator the responsibility to perform such duties as it deems appropriate in the administration of the Plan. To the extent that the Board has not delegated such duties to the Plan Administrator, all references in this Plan to the Plan Administrator shall include the Board, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted by the Board from time to time.

5. ELIGIBILITY

The Board shall designate the Eligible Employees who shall be eligible to participate in any Offering.

6. OFFERINGS

During the term of the Plan, the Corporation will make one or more offerings in which Options to purchase Common Stock will be granted to Eligible Employees under the Plan ("Offering"). The terms and conditions of Options to be granted in any such Offering will be determined by the Board under Section 7. In connection with any Offering, if the number of Shares for which Eligible Employees elect to participate shall be greater than the Shares remaining available, the available Shares shall, at the end of the Offering, be allocated among the Participating Employees pro rata on the basis of the number of Shares for which each has elected to participate.

7. TERMS AND CONDITIONS OF OPTIONS

7.1 Subject to the limitations herein contained, the Board shall determine the terms of Options in each Offering, all of which shall be granted on the Grant Date of such Offering.

7.2 The Option price per Share for each Offering shall be as determined by the Board.

7.3 The expiration date of the Options granted under each Offering shall be determined by the Board on or prior to the Grant Date for such Offering.

7.4 All Eligible Employees to whom Options are granted shall be entitled to purchase the number of full Shares as shall be established by the Board at the Grant Date. Each Eligible Employee may elect to participate for less than the maximum number of Shares which he or she is entitled to purchase under his or her Option. If an Eligible Employee elects to participate for less than the maximum number of Shares which he or she is entitled to purchase, his or her Option shall at that time terminate and become void to the extent of the number of Shares for which he or she does not elect to participate.

7.5 Each Eligible Employee who desires to participate in an Offering shall elect to do so by completing and delivering to the Plan Administrator or a person designated by the Plan Administrator an enrollment form in such form, manner and by such deadline as may be prescribed by the Plan Administrator from time to time, in its discretion, and which may be in electronic form.

7.6 A Participating Employee shall exercise his or her Option by delivering notice of exercise to the Plan Administration or a person designated by the Plan Administrator at such time and in such form and manner as the Plan Administrator shall prescribe.

7.7 Upon exercise of an Option, full payment for the Shares subject to the Option shall be made in such form or manner as the Board shall fix.

7.8 The Board may (but is not required to) establish on such terms and conditions as it shall determine a payroll deduction system for the purchase of Shares covered by the Options hereunder. If there are payroll deductions under any Offering, the Corporation or an Affiliate shall maintain a payroll deduction account for each Participating Employee. The Board may (but is not required to) provide for interest at such rate as the Board shall determine to be credited to the payroll deduction accounts.

7.9 The Board shall establish rules, terms and conditions for each Offering governing the exercise of outstanding Options in the event of a Participating Employee's termination of employment or change in employment status.

7.10 The Corporation will seek to obtain from each regulatory committee or agency having jurisdiction such authority as may be required to issue and sell Shares to satisfy Options granted under the Plan. Inability of the Corporation to obtain from any such regulatory commission or agency authority which counsel for the Corporation deems necessary for the lawful issuance and sale of its Common Stock to satisfy Options granted under the Plan, shall relieve the Corporation from any liability for failure to issue and sell Common Stock to satisfy such Options pending the time when such authority is obtained or is obtainable.

7.11 Neither a Participating Employee to whom an Option is granted under the Plan nor his or her transferee shall have any rights as a stockholder with respect to any Shares covered by his or her Option until the date of the issuance of a stock certificate (which may be by book entry) to him or her for such Shares.

7.12 Options granted under the Plan shall not be transferable, except by will or by the laws of descent and distribution, and may be exercised during the lifetime of a Participating Employee only by him or her.

7.13 Each Option granted under the Plan shall be evidenced by such instrument or documentation, if any, as the Board shall establish, which shall be dated the Grant Date and shall comply with and be subject to the terms and conditions of the Plan.

7.14 Nothing in the Plan or in any Option granted under the Plan shall confer on any Participating Employee any right to continue in the employ of the Corporation or any of its affiliates or to interfere in any way with the right of the Corporation or any of its affiliates to terminate his or her employment at any time.

7.15 Prior to the delivery of any Shares purchased under the Plan, the Corporation shall have the power and the right to deduct or withhold, or require a Participating Employee to remit to the Corporation, an amount sufficient to satisfy all tax and social insurance or social security liability obligations and requirements in connection with the Options and Shares purchased thereunder, if any, including, without limitation, all federal, state, and local taxes (including the Participating Employee's FICA obligation, if any) that are required to be withheld by the Corporation or the employing Affiliate, the Participating Employee's and, to the extent required by the Corporation (or the employing Affiliate), the Corporation's (or the employing Affiliate's) fringe benefit tax liability, if any, associated with the grant, vesting, or sale of Shares and any other Corporation (or employing Affiliate) taxes, the responsibility for which the Participating Employee has, or has agreed to bear, with respect to such Shares, and any other taxes or social insurance or social security liabilities or premiums the responsibility for which the Participating Employee has, or has agreed to bear, with respect to or in connection with the Options and Shares purchased thereunder.

8. FUNDS

Any amounts held by the Corporation or any Affiliate in payroll deduction accounts under the Plan may be used for any corporate purpose.

9. ADJUSTMENT IN NUMBER OF SHARES AND IN OPTION PRICE

In the event there is any change in the Common Stock through declarations of stock dividends or stock split-ups, recapitalizations resulting in stock split-ups, or combinations or exchanges of Shares or other securities of the Corporation, or otherwise, appropriate adjustments in the number of shares available for Options, as well as the shares subject to any Option and the Option price thereof, shall be made, provided that no fractional shares shall be subject to an Option and each Option shall be adjusted down to the nearest full share.

10. AMENDMENT OF THE PLAN

The Board at any time, and from time to time, may amend the Plan. If the Plan is amended, suspended or terminated, the Board, in its discretion, may elect to terminate all outstanding Options either immediately or upon completion of the purchase of Shares on the next scheduled exercise/purchase (which may be sooner than originally scheduled, if determined by the Board in its discretion), or may elect to permit Options to expire in accordance with their terms (and participation to continue through such expiration dates). If the Options are terminated prior to expiration, all amounts then credited to a Participating Employee's account that have not been used to purchase Shares shall be returned to the Participating Employee (without interest thereon, except as otherwise required under local laws) as soon as administratively practicable. Without stockholder approval and without regard to whether any Participating Employee's rights may be considered to have been "adversely affected," the Board shall be entitled to change the duration of an Option, limit the frequency and/or number of changes in the amount withheld during the duration of an Option, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participating Employee in order to adjust for delays or mistakes in the Corporation's or an Affiliate's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participating Employee properly correspond with amounts withheld from the Participating Employee's eligible compensation, and establish such other limitations or procedures as the Board determines in its sole discretion advisable which are consistent with the Plan.

Without regard to whether any Participating Employee's rights may be considered to have been "adversely affected," in the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(a) Amending the Plan to conform to the safe harbor definition under U.S. Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718, including with respect to an Option issued at the time of the amendment;

(b) Increasing or otherwise altering the exercise price for any Option, including an Option issued at the time of the change in exercise price;

(c) Reducing the maximum percentage of eligible compensation a Participating Employee may elect to set aside as payroll deductions;

(d) Shortening the duration of any Option so that the Option ends on a new purchase/exercise date, including an Option issued at the time of the Board action; and

(e) Reducing the number of Shares that may be purchased upon exercise of outstanding Options.

Such modifications or amendments shall not require stockholder approval or the consent of any Participating Employees.

11. TERMINATION OR SUSPENSION OF THE PLAN

The Board may at any time suspend or terminate the Plan. No Offering shall be made under the Plan while it is suspended or after it is terminated.

APPLIED MATERIALS, INC.
2016 DEFERRED COMPENSATION PLAN

(Amended, restated and renamed as of October 12, 2015)

APPLIED MATERIALS, INC.
2016 DEFERRED COMPENSATION PLAN

(Amended, restated and renamed as of October 12, 2015)

Applied Materials, Inc., a Delaware corporation (the "Company") on behalf of itself and its Participating Affiliates, having previously adopted the Applied Materials, Inc. 2005 Executive Deferred Compensation Plan, originally effective January 1, 2005, as amended, hereby amends, restates and renames such plan as the Applied Materials, Inc. 2016 Deferred Compensation Plan (the "Plan"), effective October 12, 2015 ("Restatement Date"), for the purposes of attracting highly qualified managers and other employees and promoting increased efficiency and an interest in the successful operation of the Company. All account balances under the Plan as of the Restatement Date shall be retained in separate accounts ("Rollover Accounts"), which shall be payable at the same time or times specified under the prior terms of the Plan as required to comply with Internal Revenue Code Section 409A. The Plan is intended to, and shall be interpreted to, comply in all respects with Internal Revenue Code Section 409A and those provisions of the Employee Retirement Income Security Act of 1974, as amended, applicable to an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated employees."

ARTICLE 1
Definitions

1.1 **"401(k) Plan"** shall mean a Section 401(k) plan qualified under Section 401(a) of the Code, which is sponsored by the Employer (or in which the Employer participates) in the relevant Plan Year.

1.2 **"Account(s)"** shall mean the Company Contribution Accounts, Scheduled Distribution Accounts, Termination Accounts, Rollover Accounts, Stock Unit Accounts and/or Severance Payment Accounts established for a particular Participant pursuant to Article 4 of the Plan.

1.3 **"Administrative Committee"** shall mean the person or persons appointed to administer the Plan pursuant to Article 7 of the Plan.

1.4 "**Affiliate**" means each corporation, trade or business that is, together with the Company, a member of a controlled group of corporations or under common control (as determined under section 414(b) or (c) of the Code), but only for the period during which such other entity is so affiliated with the Company. Notwithstanding the foregoing, in applying sections 1563(a)(1), (2) and (3) of the Code for purposes of determining a controlled group of corporations under section 414(b) of the Code and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses that are under common control for purposes of section 414(c) of the Code, the phrase "at least 50 percent" will be used instead of "at least 80 percent" at each place it appears in such sections.

1.5 **"Base Salary"** shall mean the Participant's base annual salary excluding incentive and discretionary bonuses, severance, commissions and other non-regular forms of compensation, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans of the Employer, other than any cafeteria plan maintained pursuant to Section 125 of the Code ("Cafeteria Plan").

1.6 **"Beneficiary"** shall mean the person(s) or entity designated as such in accordance with Article 6 of the Plan.

1.7 **"Bonus"** shall mean any amount paid to the Participant by the Employer in the form of discretionary or incentive compensation (excluding Long-Term Incentive Compensation), or any other bonus paid to the Participant by the Employer, which is designated by the Administrative Committee as a Bonus eligible for deferral under the Plan, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans of the Employer, other than any Cafeteria Plan.

1.8 **"Change in Control"** shall mean, with respect to the Company, any of the following events:

(a) A change in the ownership of the Company that occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company. For purposes of this subsection (a), the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered an additional Change in Control. Further, if the stockholders of the Company immediately before the change in ownership continue to retain, immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, the direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company or of the ultimate parent entity of the Company, such event will not be considered a Change in Control under this subsection (a). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities that own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(b) A change in the effective control of the Company that occurs on the date that a majority of members of the Board of Directors of the Company is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors prior to the date of the appointment or election. For purposes of this subsection (b), once any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered an additional Change in Control; or

(c) A change in the ownership of a "substantial portion of the Company's assets", as defined herein. For this purpose, a "substantial portion of the Company's assets" shall mean assets of the Company having a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such change in ownership. For purposes of this subsection (c), a change in ownership of a substantial portion of the Company's assets occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that constitute a "substantial portion of the Company's assets." Further, for purposes of this subsection (c), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (c). For purposes of this subsection (c), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of determining the occurrence of a Change in Control, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if its primary purpose is to: (1) change the state of the Company's incorporation, or (2) create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a "change in control event" within the meaning of Code Section 409A.

1.9 **"Code"** shall mean the Internal Revenue Code of 1986, as subsequently amended, as interpreted by regulations, rulings, and applicable authorities.

1.10 **"Commissions"** shall mean commissions payable to the Participant for the applicable Plan Year (as determined by the Administrative Committee in compliance with Code Section 409A) before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans of the Employer, other than any Cafeteria Plan.

1.11 **"Company"** shall mean Applied Materials, Inc., a Delaware corporation.

1.12 **"Company Contribution"** shall mean the contribution by the Employer to the Participant's Company Contribution Account pursuant to Section 3.2 of the Plan.

1.13 **"Company Contribution Account"** shall mean an Account established for Company Contributions pursuant to Article 4 of the Plan.

1.14 "**Compensation**" shall mean all amounts eligible for deferral for a particular Plan Year (or other applicable performance period) under Section 3.1.1 of the Plan.

1.15 **"Disability"** shall be interpreted consistent with the requirements of Code Section 409A and shall mean that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's Employer. The Administrative Committee will determine whether or not a Participant has incurred a Disability based on such evidence as it deems necessary or appropriate. Notwithstanding the foregoing, a Participant will be deemed to qualify for Disability hereunder if he or she has been determined to be totally disabled by the Social Security Administration.

1.16 **"Distributable Amount**" shall mean the vested balance in the applicable Account.

1.17 **"Eligible Employee"** shall mean a management level or highly compensated employee of the Company or a Participating Affiliate selected by the Administrative Committee to be eligible to participate in the Plan.

1.18 **"Employer"** shall mean the Company or Participating Affiliate for which the relevant Participant performs services and from which such Participant is entitled to the payment of Compensation .

1.19 **"ERISA"** shall mean the Employee Retirement Income Security Act of 1974, as amended, as interpreted by regulations, rulings and applicable authorities.

1.20 **"Fiscal Year Bonus Compensation"** shall have the meaning given to such term in Section 3.1.3.

1.21 **"Hardship Distribution"** shall mean a distribution by reason of an Unforeseeable Emergency pursuant to Section 5.8 of the Plan.

1.22 **"HRCC"** shall mean the Human Resources and Compensation Committee of the Board of Directors of the Company.

1.23 **"Investment Subaccount"** shall have the meaning given to such term in Section 4.1 of the Plan.

1.24 "**Long-Term Incentive Compensation"** shall mean any amount payable to the Participant by the Employer in the form of long-term discretionary or incentive compensation designated by the Administrative Committee as eligible for deferral under the Plan, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans of the Employer, other than any Cafeteria Plan.

1.25 **"Participant"** shall mean an Eligible Employee who has elected to participate and has made a Participant Election pursuant to Article 2 of the Plan, or has received a Company Contribution.

1.26 **"Participant Election"** shall mean an election regarding deferrals and/or distributions submitted by the Participant to the Administrative Committee on a timely basis pursuant to Article 3 of the Plan, which may include contributions, benefits, terms and conditions unique to such Participant. The Participant Election may take the form of an electronic communication according to specifications established by the Administrative Committee.

1.27 **"Participating Affiliate"** shall mean an Affiliate of the Company that has been designated and approved by the HRCC (or its authorized delegate) as a Participating Affiliate and has adopted the Plan. By adopting the Plan, an Participating Affiliate shall be deemed to agree to all of its terms, including (but not limited to) the provisions granting exclusive authority to the HRCC (or its authorized delegate) to amend the Plan and the provisions granting exclusive authority to the Administrative Committee to administer and interpret the Plan. A Participating Affiliate may independently terminate participation in the Plan under the same terms and conditions provided for termination by the Company at the direction of the HRCC (or its authorized delegate) under Section 9.1 of the Plan. The liabilities incurred under the Plan to the Participants employed by each Employer shall be solely the liabilities of that Employer, and no other Employer will be liable for any benefits accrued by a Participant during any period when he or she was not employed by such Employer.

1.28 **“Payment Date”** shall mean the date by which a lump sum payment under the Plan shall be made or the date by which installment payments under the Plan shall commence and shall, in all events, include only a qualifying distribution date, event or schedule under Code Section 409A. The Payment Date for payments commencing upon Separation from Service shall be within the ninety (90) day period following Separation from Service, or in the case of a Severance Payment, within the ninety (90) day period following the first anniversary of Separation from Service. Subsequent installments shall be made in the first ninety (90) days of each succeeding Plan Year commencing after the Plan Year in which the first installment payment is made. In the case of death, the Administrative Committee shall be provided with documentation reasonably necessary to establish the fact of the Participant’s death. The Payment Date of a Scheduled Distribution shall be the earlier of the first ninety (90) days of the Plan Year specified by the Participant for such distribution or the Participant’s Separation from Service other than by reason of death or Disability. Notwithstanding the foregoing, the Payment Date shall not be before the earliest date on which benefits may be distributed under Code Section 409A without the imposition of additional Code Section 409A taxes, as determined by the Administrative Committee and the Administrative Committee shall have discretion regarding the timing of payments to the extent permitted under Code Section 409A. In the event that the Participant is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of the Company, to the extent required by Code Section 409A, the Payment Date shall be no earlier than the earlier of (i) the first day of the seventh (7th) calendar month commencing after the Participant’s Separation from Service, or (ii) the Participant’s death. Any payments delayed by reason of the preceding sentence shall be caught up and paid in a single lump sum on the first day such payments are permissible consistent with the application of Code Section 409A.

1.29 **“Plan”** shall mean this Applied Materials, Inc. 2016 Deferred Compensation Plan which amends, restates and renames the Applied Materials, Inc. 2005 Executive Deferred Compensation Plan.

1.30 **“Plan Year”** shall mean the calendar year.

1.31 “**Performance-Based Compensation**” means Compensation where the amount of, or entitlement to, the Compensation is contingent upon the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing within ninety (90) days after the commencement of the period of service to which the criteria relate, provided that the attainment of performance objectives is substantially uncertain at the time the criteria are established. The determination of whether Compensation qualifies as “Performance-Based Compensation” will be made in the complete and sole discretion of the Administrative Committee in accordance with Treasury Regulation Section 1.409A-1(e) and applicable authorities.

1.32 **“Restatement Date”** shall have the meaning given to such term in the introductory paragraph.

1.33 **“Restricted Stock Units”** shall mean restricted stock unit awards of a right to receive common stock of the Company at a specified date in the future made by an Employer to an Eligible Employee under an equity compensation plan sponsored by the Company, or such other similar amounts, as are specified as eligible for deferral under the Plan from time to time by the Administrative Committee, in its discretion and in compliance with all applicable laws.

1.34 “**Rollover Account**” shall have the meaning given to such term in the introductory paragraph of the Plan.

1.35 **“Scheduled Distribution”** shall mean the distribution elected by the Participant pursuant to Section 5.4 of the Plan.

1.36 **“Scheduled Distribution Account”** shall mean an Account established for amounts payable in the form of a Scheduled Distribution pursuant to Article 4 of the Plan.

1.37 **“Separation from Service”** shall be interpreted consistently with the meaning of such term under Code Section 409A and shall mean, with respect to a given Participant, the date when, for any reason, including by reason of retirement, death or Disability, (but excluding approved leaves of absence of six (6) months or less, or a longer period if the right to return to employment after such period is protected by law or contract), the level of services provided by such Participant to the Employer (or any Affiliate under common ownership aggregated with the Company for purposes of Code Section 409A) in any capacity has permanently decreased to a level equal to no more than twenty percent (20%) of the average level of services performed by such Participant for the Employer during the immediately preceding thirty-six (36) month period (or the Participant’s full period of services to the Employer, if a lesser period).

1.38 “**Severance Payment**” shall mean the cash severance payment(s) (if any), which are payable to a Participant after his or her Separation from Service in accordance with the terms of a severance agreement that is the subject of bona fide, arm’s length negotiations between the Employer and the Participant at the time of the Separation from Service, which the Administrative Committee designates as eligible for deferral under the Plan.

1.39 “**Severance Payment Account**” shall mean an Account established for the purpose of deferring Severance Payments pursuant to Section Article 4 of the Plan.

1.40 “**Sign-On Bonus”** shall mean a cash-based award (if any) that is payable to an Eligible Employee pursuant to the terms and conditions of the Employer’s offer of employment to induce him or her to become an employee of the Employer, or any similar item of Compensation, which the Administrative Committee designates as eligible for deferral under the Plan, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans of the Employer, other than any Cafeteria Plan.

1.41 **“Stock Unit Account”** shall mean the Account established for Restricted Stock Unit deferrals as provided under Article 4 of the Plan.

1.42 “**Termination Account**” shall mean an Account established for distribution of Participant deferrals elected to commence upon the Payment Date following Separation from Service pursuant to Article 4 of the Plan.

1.43 **“Unforeseeable Emergency”** shall mean a severe financial hardship to the Participant resulting from an illness or accident involving the Participant or the Participant’s spouse, Beneficiary or dependent (as defined in Code Section 152, but without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof), the loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant (but shall in all events correspond to the meaning of the term “unforeseeable emergency” in Code Section 409A and applicable authorities).

ARTICLE 2
Participation

2.1 Commencement of Participation. An Eligible Employee shall commence participation in the Plan as of the date specified in the enrollment materials provided by the Administrative Committee which designate him or her as an Eligible Employee if, and only if, the Eligible Employee has completed all applicable Participant Elections and other documentation the Administrative Committee may reasonably request, during the enrollment period established by the Administrative Committee for such purpose.

2.2 Duration of Participation. A Participant shall continue to be eligible to make deferrals and/or to receive Company Contributions under Article 3 until the earlier of the Participant's Separation from Service or such time as the Administrative Committee shall determine that the Participant is no longer an Eligible Employee. Notwithstanding the foregoing, the Participant's deferral elections shall continue in place with respect to any Compensation for services performed during the Plan Year (or other applicable performance period) in which Separation from Service or termination of eligibility shall occur and a terminated Participant's Accounts shall continue to be credited with notional earnings or losses as provided in Article 4 until such time as the total balance of all of the Participant's Accounts shall have been fully distributed.

ARTICLE 3
Deferrals, Contributions, and Elections

3.1 Elections to Defer Compensation.

3.1.1 Form of Elections. Except with respect to any Severance Payment deferrals, a Participant may only elect to defer Compensation attributable to services provided after the time an election is made. Participant Elections shall be subject to such specifications and limitations as may be prescribed by the Administrative Committee in the enrollment materials for a particular Plan Year (or applicable performance period) and shall take the form of a whole percentage not to exceed:

- 60% of Base Salary,
- 100% of specified Bonuses (separate deferral elections shall be made available for each type of Bonus and applicable limitations specified by the Administrative Committee for the applicable Plan Year (or other performance period) and Sign-On Bonuses and Performance-Based Compensation with applicable limitations must be separately specified by the Administrative Committee, in its sole discretion, as eligible for deferral),
- 100% of Long-Term Incentive Compensation,
- 100% of Commissions, or
- 100% of Severance Payments,

as permitted in the complete and sole discretion of the Administrative Committee.

A Participant may also elect to defer annual Compensation in an amount equal to specified refunded compensation from the 401(k) Plan and/or, Restricted Stock Units awarded to the Participant for services performed in the applicable Plan Year (or performance period), as determined in the complete and sole discretion of the Administrative Committee.

The Administrative Committee shall establish appropriate procedures for such deferral elections in compliance with Code Section 409A and, notwithstanding any contrary Plan provision, may further limit the classes of deferred Compensation and/or the minimum or maximum amount deferred by any Participant or group of Participants, or waive the foregoing limits for any Participant or group of Participants, for any reason, to the extent permitted under Code Section 409A. In particular, but not by way of limitation, the Administrative Committee may apply further limitations to the eligibility, amount and form of Compensation that may be deferred by certain Participants to avoid the application of Code Section 457A to the Plan. Any such limitations that will be applicable with respect to a Plan Year (or other applicable performance period) shall be established by the Administrative Committee before any deferral elections with respect to Compensation for services performed during such Plan Year (or other applicable performance period) otherwise become irrevocable under the terms of the Plan.

Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings (other than for Cafeteria Plan contributions), but shall be reduced by the Administrative Committee as necessary to not exceed 100% of the cash Compensation of the Participant remaining after deduction of applicable employment taxes and income taxes thereon and other deductions required by law. Changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

3.1.2 Initial Deferral Election. An Eligible Employee shall make an initial election to defer Compensation during the enrollment period established by the Administrative Committee prior to the effective date of the Participant's commencement of participation in the Plan and such election shall apply only to Compensation for services performed after such date. The enrollment period shall generally occur prior to the beginning of the applicable Plan Year, but the Administrative Committee may establish a special enrollment period ending no later than thirty (30) days after an Eligible Employee first becomes eligible to participate in the Plan to allow deferrals by such Eligible Employee of eligible amounts earned during the balance of such Plan Year (as long as such Eligible Employee is not already a participant in another plan or arrangement which is aggregated with this Plan for purposes of Code Section 409A). Eligibility for mid-year enrollment of rehired or newly Eligible Employees who have previously participated in the Plan shall be permitted only in compliance with all requirements of Code Section 409A, and as determined in the complete and sole discretion of the Administrative Committee.

3.1.3 Deferral Elections for Subsequent Plan Years. A Participant may increase, decrease, terminate or recommence a deferral election with respect to Compensation for any subsequent Plan Year in which the Participant is eligible to participate in the Plan by making a Participant Election during the enrollment period established by the Administrative Committee prior to the beginning of the Plan Year in which the applicable services are performed, which election shall be effective on the first day of the following Plan Year. Notwithstanding the foregoing, the Administrative Committee may allow separate deferral elections with respect to any Bonuses which are determined on the basis of the Employer's fiscal year or years and payable after the end of the applicable fiscal year or years ("Fiscal Year Bonus Compensation"). The enrollment period established for deferral of Fiscal Year Bonus Compensation shall be made prior to the beginning of the fiscal year in which the applicable services are performed, in compliance with all requirements of Code Section 409A.

3.1.4 Performance-Based Compensation. Notwithstanding the foregoing, the Administrative Committee may allow deferral elections or changes in deferral elections to be made no later than six (6) months before the end of the applicable performance period solely with respect to the deferral of any Compensation which qualifies as Performance-Based Compensation, if such deferral or change is in compliance with Code Section 409A and applicable authorities. In order for an Eligible

Employee to be eligible to defer Performance-Based Compensation in accordance with the deadline established in this Section, the Eligible Employee must have performed services continuously from the later of the beginning of the performance period for such Compensation or the date on which the performance criteria for such Compensation was established through the date on which such election is made; provided, however, that no such election may be made after such Compensation has become readily ascertainable, consistent with the requirements of Code Section 409A.

3.1.5 Severance Payments. An Employer may provide for the deferral of, or a Participant may be offered an election to defer, up to 100% of specified Severance Payments at such time and in such manner as may be permitted by the Administrative Committee in its complete and sole discretion and in compliance with all requirements of Code Section 409A.

3.1.6 Irrevocability of Deferral Election. After the beginning of the Plan Year (or the effective date of a mid-year commencement of participation, Fiscal Year Bonus Compensation deferral election or Performance-Based Compensation deferral election), or such earlier time as may be specified by the Administrative Committee in its discretion, deferral elections with respect to Compensation for services performed during such Plan Year (or other applicable performance period) shall be irrevocable except that the Administrative Committee may cancel a Participant's deferral election(s) to the extent permitted under Code Section 409A: (i) in the event of an Unforeseeable Emergency, (ii) by reason of the Participant's Qualifying Disability (as defined below), or (iii) as necessary for the Participant to receive a hardship distribution under the 401(k) Plan. For purposes of this Section, "Qualifying Disability" shall be interpreted consistent with the requirements of Code Section 409A and shall mean any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months. The Administrative Committee will determine whether or not a Participant has incurred a Qualifying Disability based on such evidence as it deems necessary or advisable. A Participant whose deferral election(s) have been cancelled pursuant to this Section may later resume making deferrals under the Plan only in accordance with the foregoing provisions of Section 3.1 and the requirements of Code Section 409A.

3.2 Company Contributions.

3.2.1 Discretionary Company Contributions. Except as provided in Section 3.2.2 below, the Employer shall have the discretion to make Company Contributions to the Plan at any time on behalf of any Participant. Such Company Contributions shall be made in the complete and sole discretion of the Employer and no Participant shall have the right to receive any Company Contribution, regardless of whether Company Contributions are made on behalf of other Participants.

3.2.2 Company Matching Contributions. The Employer may make a matching Company Contribution on behalf of each Participant for each Plan Year (or other applicable performance period) in which the Participant makes a deferral under this Plan based on such matching formula as may be specified by the Administrative Committee, in its discretion, in the election materials prior to commencement of the applicable Plan Year (or applicable performance period).

3.3 Distribution Elections.

3.3.1 Initial Election. At the time of making a deferral election under the Plan, the Participant shall designate the time and form of distribution of deferrals made pursuant to such election (together with notional earnings or losses credited thereon) from among the alternatives specified in

Article 5, if eligible. Notwithstanding the foregoing, all amounts credited to a Rollover Account shall be distributed at the same time and in the same form as the Participant elected under the prior terms of the Plan as in effect prior to the Restatement Date, subject to modifications permissible under Section 3.3.2 and Code Section 409A.

3.3.2 Modification of Election. A distribution election with respect to previously deferred amounts may be changed under the terms and conditions specified in Code Section 409A and the Plan. Except as expressly provided in Article 5 (or otherwise permitted under Code Section 409A and applicable authorities), no acceleration of a distribution is permitted. A subsequent election that delays payment or changes the form of payment shall be permitted if, and only if, all of the following requirements are met:

- the new election does not take effect until at least twelve (12) months after the date on which the new election is made;

- in the case of a new election related to a payment not described in Treasury Regulation Sections 1.409A-3(a)(2), 1.409A-3(a)(3) or 1.409A-3(a)(6), the election delays such payment for at least five (5) years from the date that payment would otherwise have been made (or, in the case of installment payments, the first installment payment would otherwise have been made), absent the new election; and

- in the case of a new election related to a payment described in Treasury Regulation Section 1.409A-3(a)(4), the election is made not less than twelve (12) months before the date on which payment would otherwise have been made (or, in the case of installment payments, the first installment payment would otherwise have been made) absent the new election.

For purposes of applying the above change limitations, substantially level installment payments shall be treated as a single payment. Election changes made pursuant to this Section shall be made at the discretion of, and in accordance with rules established by, the Administrative Committee, and shall comply with all requirements of Code Section 409A and applicable authorities.

ARTICLE 4Accounts, Crediting and Vesting

4.1 Accounts. Solely for recordkeeping purposes, up to two (2) Termination Accounts and three (3) Scheduled Distribution Accounts, or such greater number of each as may be permitted from time to time by the Administrative Committee, shall be maintained for each Participant and credited with the Participant's deferrals as directed in the applicable Participant Election for such deferral. One or more separate Company Contribution Accounts shall be maintained for the Participant and shall be credited with any Company Contributions at the time specified by the Administrative Committee. A separate Severance Payment Account may be maintained for the Participant and shall be credited with deferred Severance Payments at the time specified by the Administrative Committee. One or more separate Stock Unit Accounts may be maintained for the Participant and shall be credited with any deferred Restricted Stock Units and shall be credited at the time specified by the Administrative Committee. One or more Rollover Accounts shall be established for Participants having vested or unvested Account balances as of the Restatement Date. Each Account may be further divided into separate subaccounts for notional investment purposes ("Investment Subaccounts") to accommodate the direction of investments as provided in Section 4.2.

4.2 Investment Direction and Crediting Rate. Amounts, other than Restricted Stock Units, credited to a Participant's Accounts shall be credited with notional earnings or losses in a manner determined in the discretion of the Administrative Committee. Until such time as the Administrative Committee determines otherwise:

4.2.1 Rollover Accounts. Rollover Accounts shall be credited with notional earnings at a fixed crediting rate established by the Administrative Committee. Notwithstanding the foregoing, the Administrative Committee may establish a procedure at a future date to allow Rollover Accounts to be credited with notional earnings or losses based on the Participant's investment direction according to the specifications of the following paragraph.

4.2.2 New Accounts. Accounts established after the Restatement Date, other than Stock Unit Accounts, shall be credited with notional earnings or losses based on the Participant's choice among the investment alternatives or "funds" made available from time to time by the Administrative Committee. The Administrative Committee may establish a procedure by which a Participant may choose among investment funds specified by the Administrative Committee and may change investment elections daily on each business day, subject to administrative feasibility. At the discretion of the Administrative Committee, the Participant's applicable Account balance shall reflect the notional earnings or losses on the investment funds selected by the Participant. If an investment fund selected by a Participant sustains a loss, the Participant's applicable Account shall be reduced to reflect such loss. If the Participant fails to elect an investment alternative for a particular Account or Investment Subaccount, the notional crediting rate with respect to that Account or Investment Subaccount shall be based on the default investment alternative selected for this purpose by the Administrative Committee. The Participant's choice among investment funds shall be solely for purposes of the calculation of a notional crediting rate on the Participant's applicable Accounts. Notwithstanding any contrary provision of the Plan, the Company (and other Employers) shall have no obligation to set aside or invest funds as directed by the Participant and, whether or not the Company (or Employer) elects to invest funds as directed by the Participant, the Participant shall have no right to payment under the Plan other than as an unsecured general creditor of the Company (or Employer).

4.2.3 Crediting During Payout Period. During payout, the Participant's Accounts, other than Stock Unit Accounts, shall continue to be credited at the notional crediting rate specified by the Administrative Committee or as selected by the Participant from among the investment alternatives or rates made available by the Administrative Committee. Installment payments shall be recalculated annually by dividing the applicable Account balance by the number of payments remaining without regard to anticipated notional earnings or losses, or in any other reasonable manner as may be determined from time to time by the Administrative Committee.

4.3 Crediting of Stock Unit Accounts. Stock Unit Accounts may be established under the Plan in the complete and sole discretion of the Administrative Committee and shall be subject to such additional terms and conditions as may be specified by the Administrative Committee from time to time. Amounts credited to a Stock Unit Account shall be distributed in the form of common stock of the Company or, in cash equal to the fair market value of the common stock of the Company as of the date of distribution, in the complete and sole discretion of the Administrative Committee, subject to the terms and limitations of the applicable Restricted Stock Unit plan and/or award agreement. Notwithstanding any other provisions of the Plan, no common stock shall be issued to a Participant in connection with a distribution under the Plan unless, and until, such Participant has executed such documentation as may be required by the Administrative Committee and agreed to comply with all applicable securities laws. The Administrative Committee shall administer any Stock Unit Account consistent with the terms of the applicable Restricted Stock Unit plan and agreement. The Administrative Committee shall have the discretion to make adjustments in the number of shares, or convert or allow a Participant to elect to convert shares, if any, payable with respect to Restricted Stock Units credited to a Stock Unit Account to an alternative form of security or cash as appropriate to accomplish the intent of the Plan to treat notional Restricted Stock Unit credits similarly to actual shares of Company common stock, all as may be directed by the Administrative Committee, in its complete and sole discretion, subject to the terms and limitations of the applicable Restricted Stock Unit plan and/or award agreement. Prior to any distribution of common stock, Participants shall have no rights as shareholders with respect to amounts or units credited to a Stock Unit Account except that Participants shall be entitled to receive additional credits to such Account in the amount of any cash or stock dividends payable on shares of Company common stock equal in number to the vested Restricted Stock Units credited to such Stock Unit Account. Any dividends payable on vested Restricted Stock Units credited to a Stock Unit Account shall be denominated in Restricted Stock Units and result in a credit of additional notional Restricted Stock Units to the applicable Stock Unit Account. Pursuant to Code Section 409A, such dividend equivalents shall be considered current earnings on the Stock Unit Account and shall be credited to the appropriate Account as of the date dividends are paid to shareholders of the Company and distributed at the same time and in the same form elected for the applicable Stock Unit Account.

4.4 <u>Crediting of Accounts</u>. A Participant’s Accounts shall be credited as follows:

4.4.1 <u>Participant Deferrals</u>. On or before the third (3rd) business day after amounts would otherwise have been paid to the Participant, the Administrative Committee shall credit the Participant’s applicable Account with an amount equal to Compensation deferred by the Participant and shall allocate such amount to Investment Subaccounts in accordance with the Participant’s election under Section 4.2.2 or, in the case of a deferral of Restricted Stock Units, to the applicable Stock Unit Accounts.

4.4.2 <u>Company Contributions</u>. On the date specified by the Administrative Committee for the crediting of a Company Contribution to the Plan on behalf of a Participant, the Administrative Committee shall credit the Participant’s Company Contribution Account with an amount equal to the Company Contribution and shall allocate such amount to Investment Subaccounts in accordance with the Participant’s election under Section 4.2.2.

4.4.3 <u>Distributions</u>. Distributions shall be deducted by the Administrative Committee from the applicable Account as of the end of the day on which such distributions are made.

4.4.4 <u>Notional Earnings or Losses</u>. Each business day, a Participant’s Accounts (other than Stock Unit Accounts) shall be credited with notional earnings or losses in an amount equal to that determined by multiplying the balance credited to such Accounts or applicable Investment Subaccounts as of the prior day, less any distributions valued as of the end of the prior day, by the notional crediting rate for the corresponding fund as determined by the Administrative Committee.

4.5 <u>Vesting of Accounts</u>. The Participant shall be vested at all times in amounts credited to the Participant’s Accounts, other than the Participant’s Company Contribution Accounts. Amounts credited to the Participant’s Company Contribution Accounts shall vest in accordance with the schedule determined and provided to the Participant at the time of contribution by the Administrative Committee. Unless otherwise specified by the Administrative Committee, amounts credited to the Participant’s Company Contribution Account for a particular Plan Year shall vest at the end of the second Plan Year commencing after the Plan Year in which the services are performed in connection with such Company Contribution, provided that the Participant has not incurred a Separation from Service as of the scheduled vesting date. Notwithstanding the foregoing, in the event of a Change in Control or termination of the Plan pursuant to Section 9.1, all Company Contribution Accounts shall be fully vested as of such date.

4.6 Statement of Accounts. The Administrative Committee shall make available to each Participant electronic statements at least annually setting forth the Participant's Account balances as of the end of each Plan Year.

ARTICLE 5Distributions and Benefits

5.1 Distribution of Rollover Accounts. Rollover Accounts shall be distributed under the terms and conditions of the Plan as in effect prior to the Restatement Date, subject to modifications permissible under Section 3.3.2 and Code Section 409A.

5.2 Distribution of Severance Payment Accounts. Severance Payment Accounts shall be distributed on the Payment Date following the first anniversary of a Participant's Separation from Service in the form of a single lump sum unless that Participant has made an alternative benefit election on a timely basis pursuant to Section 3.3 to receive the benefits in substantially equal annual installments over up to five (5) years commencing on the Payment Date following the first anniversary of the Participant's Separation from Service.

5.3 Termination Distributions. Except as otherwise provided herein, in the event of a Participant's Separation from Service other than by reason of death or Disability, the Distributable Amount credited to the Participant's Termination Accounts, Company Contribution Accounts and Stock Unit Accounts shall be paid to the Participant in a single lump sum on the Payment Date following the Participant's Separation from Service unless, with respect to any individual Account where the Distributable Amount is at least fifty thousand dollars ($50,000) in value as of the commencement of distributions from such Account, the Participant has made an alternative benefit election on a timely basis pursuant to Section 3.3 to receive the benefits in substantially equal annual installments over up to twenty (20) years commencing on the Payment Date following the Participant's Separation from Service.

5.4 Scheduled Distributions. Each Participant shall be entitled to elect in accordance with Section 3.3 to allocate Participant deferrals (and, in the discretion of the Administrative Committee, Company Contributions) among up to three (3) Scheduled Distribution Accounts, or such greater number as may be permitted from time to time by the Administrative Committee. Distributions from a Scheduled Distribution Account shall commence on the earlier of the Payment Date in the Plan Year specified by the Participant for such Account (the "Specified Distribution Date"), or the Participant's Separation from Service other than by reason of death or Disability. Notwithstanding the foregoing, no deferrals shall be allocated to a Scheduled Distribution Account having a Specified Distribution Date which is earlier than the first day of the second Plan Year commencing after the Plan Year in which the deferrals would be credited to the Account. Payment from a Scheduled Distribution Account shall be paid in the form of a single lump sum unless the Participant has made a timely election under Section 3.3 that, if the Distributable Amount from a Scheduled Distribution Account is at least fifty thousand dollars ($50,000) as of commencement of distribution, such amount shall be paid in substantially equal annual installments over a period of up to five (5) years. In the event that amounts are mistakenly credited to a Scheduled Distribution Account having no Specified Distribution Date or a noncompliant commencement date, payments from such Account shall commence on Separation from Service and shall be distributed in the form of a single lump sum. A Participant may only delay and/or change the form of a Scheduled Distribution, provided such change complies with Section 3.3.2.

5.5 Death and Disability Benefits. In the event of the Participant's death or Disability prior to the commencement of, or the complete payment of, all benefits payable under the Plan, the Employer shall pay to the Participant or the Participant's Beneficiary, as applicable, a benefit equal to the

Distributable Amount of all of the Participant's Accounts (other than a Rollover Account) in the form of a single lump sum payable at the end of the fifteenth (15th) month commencing after the month in which such event occurs, unless the Participant or Beneficiary, as applicable, makes a timely election during the first three (3) months following the event in compliance with Section 3.3.2 to receive the benefits over a period of up to fifteen (15) years in substantially equal annual installments.

5.6 Small Benefit Distribution. Notwithstanding the foregoing, in the event the sum of all benefits payable to the Participant from all of the Participant's Accounts at the time of the Participant's Separation from Service (and all other amounts payable to the Participant under other arrangements which are aggregated with this Plan under Section Code 409A) is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Administrative Committee may, in its complete and sole discretion, pay all benefits to the Participant under the Plan in a single lump sum on the Payment Date following Separation from Service, subject to compliance with all requirements of Code Section 409A.

5.7 Distribution on Change in Control. If a Change in Control occurs before the applicable Account (other than a Rollover Account) has been fully distributed, the remaining balance of such Account shall be distributed in the form of a single lump sum payable at the end of the fifteenth (15th) month following the month in which such Change in Control occurs, unless the Participant makes a timely election during the first three (3) months following the Change in Control in compliance with Section 3.3.2 to delay commencement of benefits from such Account by a minimum of five (5) years and to receive the benefits in the form of a single lump sum or over a period of up to fifteen (15) years in substantially equal annual installments.

5.8 Hardship Distribution. Upon a finding that the Participant has suffered an Unforeseeable Emergency, subject to compliance with Code Section 409A, the Administrative Committee may, at the request of the Participant, approve a complete cessation of current deferrals under the Plan or accelerate distribution of benefits in the amount reasonably necessary to alleviate such financial hardship. The request to take a Hardship Distribution shall be made in the form and manner specified by the Administrative Committee. The amount distributed pursuant to this Section with respect to an Unforeseeable Emergency shall not exceed the amount necessary to satisfy such financial emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), or by taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan. The amount determined by the Administrative Committee as a Hardship Distribution shall be paid in a single cash lump sum as soon as practicable after the end of the calendar month in which the Hardship Distribution election is made and approved by the Administrative Committee.

5.9 Designated Payment Date. Notwithstanding any contrary Plan provision, in accordance with Treasury Regulation Section 1.409A-3(d), a payment will be treated as made upon the date specified under the Plan (the "Designated Payment Date") if the payment is made (a) at such date or a later date within the same taxable year of the applicable Participant or, if later, by the fifteenth (15th) day of the third calendar month following the Designated Payment Date, or no earlier than thirty (30) days before the Designated Payment Date, and (b) the Participant is not permitted, directly or indirectly, to designate the taxable year of any payment.

ARTICLE 6
Payee Designations and Limitations

6.1 Beneficiaries. Each Participant may, pursuant to such procedures as the Administrative Committee may specify, designate one or more Beneficiaries to whom payment under the Plan shall be made in the event of the Participant's death.

6.1.1 Spousal Consent. If a Participant designates a person or entity other than or in addition to his or her legal spouse as a primary Beneficiary, the designation will be ineffective unless the Participant's spouse consents to the designation. Any spousal consent required under this Section 6.1.1 will be ineffective unless it (a) is set forth in the form and manner specified in the discretion of the Administrative Committee, (b) acknowledges the effect of the Participant's designation of another person or entity as his or her primary Beneficiary under the Plan, and (c) is signed by the spouse and witnessed by an authorized agent of the Administrative Committee or a notary public. Notwithstanding this consent requirement, if the Participant establishes to the satisfaction of the Administrative Committee that spousal consent may not be obtained because the spouse cannot be located, his or her designation will be effective without spousal consent. Any spousal consent required under this Section 6.1.1 will be valid only with respect to the spouse who signs the consent. A Participant may revoke his or her Beneficiary designation at any time, provided such revocation is made pursuant to such procedures as the Administrative Committee may specify, and regardless of his or her spouse's previous consent to the Beneficiary designation being revoked, any such revoked designation shall be ineffective.

6.1.2 Changes and Failed Designations. A Participant may designate different Beneficiaries (or may revoke a prior Beneficiary designation) at any time by delivering a new designation (or revocation of a prior designation) in accordance with Section 6.1.1. Any designation will be effective only upon its receipt by the Administrative Committee or its designee in good form but shall cease to be effective when a revocation of that designation is received by the Administrative Committee or its designee. The last effective designation received by the Administrative Committee will supersede all prior designations. However, if a Participant fails to designate a Beneficiary as provided above, or if every person designated as Beneficiary predeceases the Participant or dies prior to complete distribution of the Participant's benefits, then the Administrative Committee shall direct the distribution of such benefits to the Participant's surviving legal spouse, or, if the Participant is not survived by a legal spouse, to the Participant's estate.

6.2 Payments to Minors. In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead shall be paid (i) to that person's living parent(s) to act as custodian, (ii) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, to act as custodian, or (iii) if no parent of that person is then living and the Administrative Committee so determines, to a custodian selected by the Administrative Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Administrative Committee decides not to select a custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within sixty (60) days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

6.3 Payments on Behalf of Persons Under Incapacity. In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Administrative Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Administrative Committee may direct that such payment be made to any person found by the

Administrative Committee, in its sole judgment, to have assumed the care and guardianship of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of any and all liability of the Administrative Committee and the Company and each Participating Affiliate under the Plan.

6.4 Inability to Locate Payee. In the event that the Administrative Committee is unable to locate a Participant or Beneficiary within two (2) years following the scheduled Payment Date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings.

ARTICLE 7
Administration/Claims Procedures

7.1 Administration. The Plan shall be administered by the Administrative Committee consisting of (a) the Corporate Vice President, Global Rewards, of the Company (the "CVP Global Rewards"); (b) the Corporate Controller of the Company (or an employee of the Company or an Affiliate appointed by the Corporate Controller; (c) the Corporate Treasurer of the Company (or an employee of the Company or an Affiliate appointed by the Corporate Treasurer); and (d) the Managing Director, Treasury, of the Company. The CVP Global Rewards also may appoint to Administrative Committee membership one additional employee of the Company or an Affiliate. The CVP Global Rewards shall chair the Administrative Committee. Any appointed member of the Committee may be removed by the applicable appointing authority at any time. The Administrative Committee shall have the exclusive right and full discretion (i) to appoint agents or other delegates to act on its behalf and to appoint the Global Rewards Department of the Company to act on its behalf in the day to day administration of the Plan, (ii) to interpret the Plan, (iii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or omissions), (iv) to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan and (v) to make all other determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations by the Administrative Committee and its agents or other delegates with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby and shall be given the maximum possible deference permitted by law. No member of the Administrative Committee or agent or other delegate thereof shall be liable for any determination, decision, or action made in good faith with respect to the Plan. Each of the Employers shall indemnify and hold harmless the members of the Administrative Committee from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons. Each decision of a majority of the members of the Administrative Committee then in office shall constitute the final and binding act of the Administrative Committee. The Administrative Committee may act with or without a meeting being called or held and shall keep minutes of all meetings held and a record of all actions taken. Except as otherwise specifically or generally directed by the Administrative Committee, any action of the Administrative Committee may be evidenced by a writing signed by any member thereof.

7.2 Claims Procedure. Any Participant, former Participant or Beneficiary who has a claim of any kind relating to the Plan must file such claim in writing with the Administrative Committee setting forth the nature of the benefit claimed, the amount thereof, and the basis for claiming entitlement to such benefit. The Administrative Committee shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after receipt of the claim. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the need for such additional information within forty-five (45) days after receipt of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Notwithstanding the foregoing, if the claim relates to a disability determination ("Disability Claim"), the decision shall be rendered within forty-five (45) days after receipt of the claim, which may be extended twice by an additional thirty (30) days per extension for matters beyond the control of the Administrative Committee. The claimant will be notified in writing of any such extension(s) before the end of the applicable decision period, as well as the circumstances requiring the extension, the date by which a decision on the claim is expected to be rendered and such other information required by ERISA. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim and an explanation of why such material or information is necessary, (iv) an explanation of the procedure for further reviewing the denial of the claim and shall include an explanation of the claimant's right to submit the claim for binding arbitration in the event of an adverse determination on review (or legal action in the case of a Disability Claim), and (v) such other information required by ERISA.

7.3 Review Procedures. A claimant or his/her authorized representative may appeal a denied claim under the Plan by filing a written request for review of such denial with the Administrative Committee within sixty (60) days after the receipt of the denial (one hundred and eighty (180) days in the case of a Disability Claim). Such review shall be undertaken by the Administrative Committee and shall be a full and fair review. The claimant or his/her authorized representative shall have the right to review all pertinent documents and to submit written comments, documents and other information relating to the claim. The Administrative Committee shall issue a decision not later than sixty (60) days after receipt of such request for review (forty-five (45) days in the case of a Disability Claim), unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review (ninety (90) days in the case of a Disability Claim). The claimant or his/her authorized representative will be notified in writing of any such extension before the end of the original 60-day review period (or 45-day review period in the case of a Disability Claim), as well as the circumstances requiring the extension, the date by which a decision is expected to be rendered and such other information required by ERISA. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to the provisions of the Plan on which the decision is based and other information required by ERISA, as well as an explanation of the claimant's right to submit the claim for binding arbitration in the event of an adverse determination on review (or legal action in the case of a Disability claim).

7.4 Exhaustion of Plan's Claims and Review Procedures Required; Limitations on Any Legal Actions. The Plan's claims and appeal procedures described above must be exhausted with respect to any claim of any kind relating to the Plan. If any legal action is permitted to be filed with respect to a Disability Claim under the Plan, such action must be brought by the claimant no later than one (1) year after the Administrative Committee's denial of the claim on review, regardless of any state or federal statutes establishing provisions relating to limitations on actions.

ARTICLE 8Conditions Related to Benefits

8.1 Nonassignability. The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by any person, at any time, or to any person whatsoever. Those benefits shall be exempt from the claims of creditors or other claimants of the Participant or Beneficiary and from all orders, decrees, levies, garnishments or executions to the fullest extent allowed by law. Notwithstanding the foregoing, the Administrative Committee may establish procedures whereby some or all of one or more of a Participant's Account balances may be accelerated and/or paid to an alternative payee pursuant to a domestic relations order which complies with the requirements of Treasury Regulation Section 1.409A-3(j)(4)(ii).

8.2 No Right to Company or Employer Assets. The benefits paid under the Plan shall be paid from the general funds of the Employer or the Company, and the Participant and any Beneficiary shall be no more than unsecured general creditors of the Employer or the Company with no special or prior right to any assets of the Employer or the Company for payment of any obligations hereunder.

8.3 Protective Provisions. The Participant shall cooperate with the Administrative Committee by furnishing any and all information requested by the Administrative Committee, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrative Committee may deem necessary, consenting to insurance coverage and taking such other actions as may be requested by the Administrative Committee. If the Participant refuses to so cooperate, the Employer and the Company shall have no further obligation to the Participant under the Plan.

8.4 Compliance with Securities Laws. All payments scheduled to be made under the Plan shall comply with all applicable securities laws and may be delayed if the Administrative Committee reasonably believes that making the payment will violate any federal or state securities laws, subject to compliance with all applicable laws. Any such delayed payment will be made at the earliest date at which the Administrative Committee reasonably anticipates that the making of the payment will not cause such violation. For this purpose, the making of a payment under the Plan that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code will not be treated as a violation of applicable law.

8.5 Payments Subject to Code Section 162(m). Any payment scheduled to be made under the Plan may be delayed in the complete and sole discretion of the Administrative Committee to the extent that the Company reasonably anticipates that if the payment were made as scheduled, the Employer's deduction with respect to such payment would not be permitted due to the application of Code Section 162(m). Any such delayed payment shall be made at the earliest date the Administrate Committee reasonably anticipates that the Employer's deduction of such payment will not be barred by the application of Code Section 162(m), subject to compliance with all requirements of Code Section 409A.

8.6 Withholding. The Participant shall make appropriate arrangements with the Administrative Committee for satisfaction of any federal, state or local income tax withholding requirements, Social Security and other employee tax or other requirements applicable to the deferral, crediting, vesting or payment of benefits under the Plan. The Company intends to deduct from each payment made under the Plan or any other compensation (including Company Contributions) payable to the Participant (or Beneficiary) all applicable taxes required to be withheld in respect of such payment or this Plan. The Employer shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.7 Receipt or Release. Any payment made in good faith to a Participant or the Participant's Beneficiary shall, to the extent thereof, be in full satisfaction of all claims against the HRCC, the Administrative Committee, their members and the Company and each Participating Affiliate. The Administrative Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.8 Trust. The Company ultimately shall be responsible for the payment of all benefits under the Plan. At its discretion, the Company may establish one or more grantor trusts for the purpose of providing for the payment of benefits under the Plan. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the creditors of the Company (or Employer). Neither such trust or trusts, nor the assets thereof, however, shall be located outside of the United States. Benefits paid to the Participant (or his or her Beneficiary) from any such trust or trusts shall be considered paid by the Company (or Employer) for purposes of meeting the obligations of the Company (or Employer) under the Plan.

8.9 No Guarantee of Tax Consequences. Notwithstanding any contrary Plan provision, Participants (or their Beneficiaries) solely shall be responsible for all taxes and any other costs owed by them with respect to any deferrals or payments made under the Plan. The HRCC, the Administrative Committee, the Company and the other Employers make no guarantees regarding the tax treatment to any person of any deferrals or payments made under the Plan. Moreover, in no event will any Employer reimburse or pay any Participant or Beneficiary for any taxes or other costs incurred as a result of participation in the Plan.

ARTICLE 9Miscellaneous

9.1 Amendment or Termination of Plan. The HRCC (or its authorized delegate) may, at any time amend or terminate the Plan, except that no such amendment or termination may reduce a Participant's Account balances, reduce or delay the vesting of a Participant's Accounts or change the timing of payments except to the extent specifically permitted under Code Section 409A. If the Plan is terminated, no further amounts shall be deferred hereunder, and amounts previously deferred or contributed to the Plan shall be fully vested and shall be paid in accordance with the provisions of the Plan as scheduled prior to the Plan termination. Notwithstanding the foregoing, the HRCC may, in its complete and sole discretion, accelerate distributions under the Plan, whether upon termination of the Plan or otherwise, under any circumstances specifically authorized under Code Section 409A and applicable authorities not resulting in the imposition of additional Code Section 409A taxes or penalties.

9.2 Errors in Account Statements, Deferrals or Distributions. In the event an error is made in an Account statement, such error shall be corrected on the next statement following the date such error is discovered. In the event of an error in deferral amount, the error shall be corrected as soon as administratively practicable after discovery; (i) in the case of an excess deferral, by distribution of the excess amount to the Participant, or, (ii) in the case of an under deferral, by reduction of other compensation payable to the Participant in compliance with all requirements of Code Section 409A. In the event of an error in a distribution, the over or under payment shall be corrected by payment to or collection from the Participant consistent with the requirements of, or correction procedures established under, Code Section 409A, as soon as administratively practicable after the discovery of such error. In the event of an overpayment, the Administrative Committee may, at its discretion, offset other amounts payable to the Participant from the Employer (including but not limited to salary, bonuses, expense reimbursements, severance benefits or other employee compensation benefit arrangements, as allowed by law and subject to compliance with Code Section 409A) to recoup the amount of such overpayment(s).

9.3 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or for services, or as giving any Participant any right to continue the provision of services in any capacity whatsoever to the Company or any Participating Affiliate.

9.4 Successors of the Employer. The rights and obligations of each Employer under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the applicable Employer.

9.5 Notice. Any notice or filing required or permitted to be given to the Company or the Participant under the Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail to, in the case of the Company, the principal office of the Company, directed to the attention of the Administrative Committee, and in the case of the Participant, to the last known address of the Participant indicated on the employment records of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Company may be permitted by electronic communication according to specifications established by the Administrative Committee.

9.6 Headings. Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

9.7 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.8 Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

9.9 Waiver of Breach. The waiver by the Company or Employer of any breach of any provision of the Plan shall not operate or be construed as a waiver of any subsequent breach by that Participant or any other Participant.

9.10 Governing Law. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA. In the event any provision of, or legal issue relating to, this Plan is not fully preempted by federal law, such issue or provision shall be governed by the laws of the State of California (other than its conflict of laws provisions).

9.11 Binding Arbitration. Any claim, dispute or other matter in question of any kind relating to this Plan (other than a Disability Claim to the extent binding arbitration is prohibited by ERISA) that is not resolved by the claims and review procedures under this Plan shall be settled by arbitration in accordance with the applicable employment dispute resolution rules of the American Arbitration Association. Notice of demand for arbitration shall be made in writing to the opposing party and to the American Arbitration Association within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall a demand for arbitration be made after the date when the applicable statute of limitations would bar the institution of a legal or equitable proceeding based on such claim, dispute or other matter in question. The decision of the arbitrators shall be final and may be enforced in any court of competent jurisdiction. The arbitrators may award reasonable fees and expenses to the prevailing party in any dispute hereunder and shall award reasonable fees and expenses in the event that the arbitrators find that the losing party acted in bad faith or with intent to harass, hinder or delay the prevailing party in the exercise of its rights in connection with the matter under dispute.

9.12 Code Section 457A. Notwithstanding any contrary Plan provision, if the Administrative Committee determines that any deferred amount under the Plan is includible in a Participant’s income under Code Section 457A and applicable guidance thereunder, such amount shall be paid to the Participant in a lump sum in the Participant’s taxable year of such inclusion to the extent permitted under Code Section 409A and applicable guidance thereunder, including, but not limited to, Q&A 26 of IRS Notice 2009-8.

APPLIED MATERIALS, INC.

Date: October 9, 2015

/s/ Gregory Lawler
Name: Gregory Lawler
Title: Corporate Vice President, Global Rewards

Exhibit 21

SUBSIDIARIES OF APPLIED MATERIALS, INC.

As of October 25, 2015

LEGAL ENTITY NAME		PLACE OF INCORPORATION
AFCO C.V.	(1)	The Netherlands
AFCO GP, LLC		Colorado
AKT Japan, LLC		Delaware
AKT, Inc.	(2)	Japan
Applied Films Taiwan Co., Ltd.		Taiwan
Applied Materials (Holdings)	(3)	California
Applied Materials Asia-Pacific, LLC	(4)	Delaware
Applied Materials Canada, Inc.		Canada
Applied Materials Holdings S.à r.l.	(5)	Luxembourg
Applied Materials India Private Limited		India
Applied Materials Israel, Ltd.	(6)	Israel
Applied Materials Japan, Inc.		Japan
Applied Materials Netherlands B.V.	(7)	The Netherlands
Applied Materials SPVI, Inc.	(8)	Delaware
Applied Ventures, LLC		Delaware
Eteris U.S. Inc.		Delaware
Metron Technology, Inc.	(9)	Delaware
PineBrook Imaging, Inc.		Delaware
PT Applied Materials Indonesia		Indonesia
Semitool, Inc.		Montana
Varian Semiconductor Equipment Associates, Inc.	(10)	Delaware

(1) AFCO C.V. owns the following subsidiaries:		
Applied Materials 1 LLC		Delaware
Applied Materials 1 LLC Luxembourg S.C.S.	(a)	Luxembourg

(2) AKT, Inc. owns the following subsidiary:		
AKT America, Inc.		California

(3) Applied Materials (Holdings) owns the following subsidiary:		
Applied Materials UK Limited		California

LEGAL ENTITY NAME		PLACE OF INCORPORATION
(4) Applied Materials Asia-Pacific, LLC owns the following subsidiaries:		
AMAT (Thailand) Limited		Thailand
Applied Materials (China) Holdings, Ltd.	(b)	P.R. China
Applied Materials (Shanghai) Co., Ltd.		P.R. China
Applied Materials China, Ltd.	(c)	Hong Kong
Applied Materials Korea Ltd.		Korea
Applied Materials Taiwan, Ltd.		Taiwan
(5) Applied Materials Holdings S.à r.l. owns the following subsidiaries:		
Applied Materials Luxembourg 2 S.à r.l.		Luxembourg
Applied Materials U.S. Holdings LLC	(d)	Delaware
(6) Applied Materials Israel, Ltd. owns the following subsidiary:		
ICT Integrated Circuit Testing GmbH		Germany
(7) Applied Materials Netherlands B.V. owns the following subsidiaries:		
Applied Materials Belgium N.V.		Belgium
Applied Materials Deutschland Holding GmbH	(e)	Germany
Applied Materials France		France
Applied Materials GmbH		Germany
Applied Materials Ireland Ltd.		Ireland
Applied Materials Italia S.r.l.		Italy
Applied Materials Spain S.L.		Spain
(8) Applied Materials SPVI, Inc. owns the following subsidiary:		
Applied Materials SPV2, Inc.	(f)	Delaware
(9) Metron Technology, Inc. owns the following subsidiary:		
Metron Technology Distribution Corporation		Nevada
(10) Varian Semiconductor Equipment Associates, Inc. owns the following subsidiaries:		
Applied Materials 2 LLC		Delaware
Applied Materials 2 LLC Luxembourg S.C.S.	(a)	Luxembourg

LEGAL ENTITY NAME		PLACE OF INCORPORATION
(a) Applied Materials 1 LLC Luxembourg S.C.S. and Applied Materials 2 LLC Luxembourg S.C.S. each partially own the following subsidiary:		
[i]Applied Materials 2 LLC Luxembourg S.C.S. 3 S.C.S.	(g)	Luxembourg
(b) Applied Materials (China) Holdings, Ltd. owns the following subsidiary:		
Applied Materials (Xi'an), Ltd.		P.R. China
(c) Applied Materials China, Ltd. owns the following subsidiary:		
Applied Materials (China), Inc.		P.R. China
(d) Applied Materials U.S. Holdings LLC owns the following subsidiary:		
Applied Materials Merger LLC		Delaware
(e) Applied Materials Deutschland Holding GmbH owns the following subsidiaries:		
Applied Materials GmbH & Co., KG	(h)	Germany
Applied Materials Verwaltung GmbH		Germany
(f) Applied Materials SPV2, Inc. owns the following 50-50 joint venture:		
eLith LLC		Delaware
(g) Applied Materials 2 Luxembourg S.C.S. 3 S.C.S. owns the following subsidiaries:		
Applied Materials Luxembourg S.à r.l.	(i)	Luxembourg
Varian Semiconductor Equipment Associates Overseas Holdings, Ltd.		Cayman Islands
(h) Applied Materials GmbH & Co., KG owns the following subsidiary:		
Applied Materials WEB Coating GmbH		Germany
(i) Applied Materials Luxembourg S.à r.l. owns the following subsidiaries:		
Altin Limited	(j)	Hong Kong
Applied Materials Europe B.V.	(k)	The Netherlands
Applied Materials South East Asia Pte. Ltd.	(l)	Singapore
Varian Korea, Ltd.		Korea
Varian Semiconductor Equipment Associates International, LLC		Delaware
Varian Semiconductor Equipment Associates Pacific, LLC		Delaware
Varian Semiconductor Equipment Associates PacRim Pte. Ltd.		Singapore
(j) Altin Limited owns the following subsidiary:		
Varian Precision Instruments Maintenance (Shanghai) Co., Ltd.		P.R. China
(k) Applied Materials Europe B.V. owns the following subsidiaries:		
Applied Materials Switzerland Sàrl		Switzerland
Varian Semiconductor Equipment Associates GmbH		Switzerland
(l) Applied Materials South East Asia Pte. Ltd. owns the following subsidiaries:		
Applied Materials (AMSEA) Sdn. Bhd.		Malaysia
Applied Materials Singapore Technology Pte. Ltd.		Singapore
Semitool (Philippines) Inc.		Nevada

i Applied Materials 2 LLC Luxembourg S.C.S. 3 S.C.S is a partnership which is partially owned by both Applied Materials 1 LLC Luxembourg S.C.S. and Applied Materials 2 LLC Luxembourg S.C.S.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Applied Materials, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-71243; 333-35396; 333-116393; 333-124711; 333-135977; 333-143377; 333-145805; 333-157661; 333-178348; 333-181665; 333-181666; and 333-185290) and Form S-3ASR (333-205584) of Applied Materials, Inc. of our reports dated December 9, 2015, with respect to the consolidated balance sheets of Applied Materials, Inc. as of October 25, 2015 and October 26, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 25, 2015, and the effectiveness of internal control over financial reporting as of October 25, 2015, which reports appear in the October 25, 2015 annual report on Form 10-K of Applied Materials, Inc.

/s/ KPMG LLP
KPMG LLP

Santa Clara, California
December 9, 2015

EXHIBIT 31.1

CERTIFICATION

I, Gary E. Dickerson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Applied Materials, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2015

/s/ GARY E. DICKERSON

Gary E. Dickerson
President, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Robert J. Halliday, certify that:

1. I have reviewed this Annual Report on Form 10-K of Applied Materials, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2015

/s/ ROBERT J. HALLIDAY

Robert J. Halliday

Senior Vice President, Chief Financial Officer

EXHIBIT 32.1

SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this Annual Report on Form 10-K of Applied Materials, Inc. for the fiscal year ended October 25, 2015, I, Gary E. Dickerson, President, Chief Executive Officer of Applied Materials, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-K for the fiscal year ended October 25, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in this Form 10-K for the fiscal year ended October 25, 2015 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: December 9, 2015

/s/ GARY E. DICKERSON

Gary E. Dickerson
President, Chief Executive Officer

EXHIBIT 32.2

SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this Annual Report on Form 10-K of Applied Materials, Inc. for the fiscal year ended October 25, 2015, I, Robert J. Halliday, Senior Vice President, Chief Financial Officer of Applied Materials, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-K for the fiscal year ended October 25, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in this Form 10-K for the fiscal year ended October 25, 2015 fairly presents, in all material respects, the financial condition and results of operations of Applied Materials, Inc. for the periods presented therein.

Date: December 9, 2015

/s/ ROBERT J. HALLIDAY

Robert J. Halliday

Senior Vice President, Chief Financial Officer