



APPLIED MATERIALS ANNOUNCES RESULTS FOR FIRST FISCAL QUARTER 1998

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New Orders of \$1.29 Billion, Record Net Sales of \$1.31 Billion, Record Ongoing Net Income of \$197.8 Million

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SANTA CLARA, Calif., February 10, 1998 -- Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry, reported results for its first fiscal quarter ended January 25, 1998, with record net sales of \$1.31 billion, an increase of 56.5 percent from \$835.8 million for the first fiscal quarter of 1997, and up 2.1 percent from \$1.28 billion for the fourth fiscal quarter of 1997. Net income for the first fiscal quarter of 1998 was \$228.9 million, or \$0.60 per diluted share, up from \$29.6 million, or \$0.08 per diluted share, for the first fiscal quarter of 1997, and up from \$180.1 million, or \$0.47 per diluted share, for the fourth fiscal quarter of 1997. Excluding the one-time items described below that are reflected in the Company's results of operations,* ongoing net income for the first fiscal quarter of 1998 was a record \$197.8 million, or \$0.52 per diluted share, compared to \$89.1 million, or \$0.24 per diluted share, for the first fiscal quarter of 1997, and \$187.3 million, or \$0.49 per diluted share, for the fourth fiscal quarter of 1997.

New orders of \$1.29 billion for the first fiscal quarter of 1998 increased 42.6 percent from \$904.7 million in the first fiscal quarter of 1997, but decreased 6.1 percent from \$1.37 billion for the fourth fiscal quarter of 1997. Geographically, North America new orders for the first fiscal quarter of 1998 were 31 percent of the Company's total new orders, Europe 19 percent, Japan 13 percent, Korea 6 percent, Taiwan 29 percent and Asia-Pacific 2 percent.

"New orders for the first fiscal quarter of 1998 fell short of our initial expectations," said James C. Morgan, chairman and chief executive officer. "The continued weakness in DRAM prices, driven by excess capacity, combined with recent financing difficulties in Asia, are causing many of our DRAM customers to reevaluate their capital spending plans. In the first quarter, for example, a key Korean customer delayed a major investment in a new DRAM site in the United Kingdom. Although we remain confident about the long-term prospects for Korea and Japan, there is a high degree of uncertainty regarding the near-term economic health of these regions and the related effect on the demand for semiconductor capital equipment. As a result, we have become more cautious at this time and expect lower new orders and less favorable operating results than we originally anticipated as we entered fiscal 1998," continued Morgan.

Gross margin for the first fiscal quarter of 1998 was 48.1 percent, unchanged from the gross margin for the fourth fiscal quarter of 1997, and up from 44.5 percent for the first fiscal quarter of 1997. Ongoing net income as a percentage of net sales was 15.1 percent for the first fiscal quarter of 1998, compared to 10.7 percent and 14.6 percent for the first and fourth fiscal quarters of 1997, respectively. Backlog at the end of the first fiscal quarter of 1998 decreased to \$1.64 billion, from \$1.72 billion at the end of fiscal 1997.

"Our customers have responded well to our ability to consistently deliver enabling new technology to the marketplace. Our extensive product line of proven 0.25 micron and below technology positions us well in assisting our customers as they migrate to more advanced device designs. We see this migration gaining momentum, as 45 percent of our new systems orders for the first fiscal quarter of 1998 were for 0.25 micron or smaller designs, compared to 19 percent just one year ago," concluded Morgan.

Several accomplishments during the quarter illustrate the Company's market leadership and rapid customer acceptance of its latest technologies. Samsung Electronics Co., Ltd. selected the Ultima HDP (High Density Plasma)-CVD (Chemical Vapor Deposition) Centura® system as the Production Tool of Record for the manufacture of advanced logic devices. Also, only 21 months after its initial shipment, the Metal Etch DPS (Decoupled Plasma Source) Centura system surpassed the 100-unit shipment milestone, becoming one of the fastest and most successful product ramps in Applied Materials' history. In addition, Applied Materials began a full production ramp of its new Dielectric Etch IPS Centura system in response to growing demand for its advanced, multi-generation etch capabilities. The Company also introduced the Endura® Electra Cu system, the industry's first integrated system for depositing the critical barrier and seed layers for copper interconnect structures.

During the first fiscal quarter of 1998, as part of a regular program authorized by the Board of Directors in 1996, the Company repurchased 2,653,000 shares of its common stock in the open market at an average price of \$30.15 per share, for a total cash outlay of \$80.0 million.

This press release contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: the length and severity of the Asian financial crisis; continued instability in DRAM prices and in the demand/capacity balance; the successful and timely development of new markets, products, processes and services (including fabrication equipment for 300mm wafers and 0.25 micron and below devices); manufacturing capability and capacity, based in part on the availability of critical manufacturing components; and challenges from the Company's competition. The Company assumes no obligation to update the information in this press release.

Applied Materials, Inc. is a Fortune 500 global growth company and the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry. Applied Materials is traded on the Nasdaq National Market under the symbol, "AMAT". Applied Materials' website is <http://www.AppliedMaterials.com>.

* The Company's results of operations for the first fiscal quarter of 1998 include a pre-tax charge of \$32.2 million, or \$0.06 per diluted share after tax, for technology licensed from Trikon Technologies, Inc., as well as pre-tax non-operating income of \$80.0 million, or \$0.14 per diluted share after tax, from a litigation settlement with Advanced Semiconductor Materials, Inc. Included in the Company's results of operations for the first fiscal quarter of 1997 was a non-tax deductible charge of \$59.5 million for acquired in-process research and development related to the acquisitions of Opal, Inc. and Orbot Instruments, Ltd. The Company's results of operations for the fourth fiscal quarter of 1997 included \$11.0 million of pre-tax non-operating expense incurred in connection with a litigation settlement with General Signal Corporation.

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