



APPLIED MATERIALS ANNOUNCES RESULTS FOR FISCAL 1996

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Contact:

Shannon Fryhoff
editorial/media
(408) 986-7229

Susan Overstreet
investment community
(408) 748-5227

Orders of \$4.3 Billion, Sales of \$4.1 Billion, Income of \$599.6 Million

SANTA CLARA, Calif., November 21, 1996 -- Applied Materials, Inc. reported results for its fiscal year ended October 27, 1996, with net sales of \$4.1 billion, an increase of 35.4 percent from fiscal 1995 net sales of \$3.1 billion. Net income for fiscal 1996 increased 32.1 percent to \$599.6 million, or \$3.27 per share, from \$454.1 million, or \$2.56 per share, for fiscal 1995. New orders increased 10.3 percent in fiscal 1996 to \$4.3 billion, from \$3.9 billion in fiscal 1995. Backlog at the end of fiscal 1996 was \$1.4 billion, down from \$1.5 billion at the end of fiscal 1995.

The Company also announced results for its fourth fiscal quarter ended October 27, 1996, with net sales of \$861.0 million, a decrease of 12.4 percent from net sales of \$982.7 million for the fourth fiscal quarter of 1995. Net income for the fourth fiscal quarter of 1996 was \$73.1 million, or \$0.40 per share, a decrease of 53.0 percent, from \$155.4 million, or \$0.84 per share, for the fourth fiscal quarter of 1995. The Company's results of operations for the fourth fiscal quarter of 1996 include a pre-tax restructuring charge of \$25.1 million, or \$0.09 per share after-tax, to cover costs associated with a reduction in workforce and consolidation of certain facilities.

The Company's results for the fourth fiscal quarter of 1996 continued to be impacted by the downturn in the semiconductor industry, but were in line with management's expectations. New orders of \$683.2 million were received during the fourth fiscal quarter, down 42.9 percent from \$1.2 billion in the fourth fiscal quarter of 1995 and down from third fiscal quarter orders of \$931.3 million. Significant decreases from third quarter orders were seen in Europe and Asia-Pacific. Geographically, North America new orders for the fourth fiscal quarter comprised 42 percent of the Company's total, Europe 17 percent, Japan 26 percent, Korea 5 percent and Asia-Pacific 10 percent.

Net sales for the fourth quarter of \$861.0 million decreased 22.8 percent from third fiscal quarter net sales of \$1.1 billion and net income of \$73.1 million decreased 56.8 percent from third fiscal quarter net income of \$169.1 million. For the fourth fiscal quarter of 1996, net income before the restructuring charge represented 10.4 percent of net sales. Gross margins for the fourth fiscal quarter of 1996 were 44.1 percent, versus 47.7 percent for the third fiscal quarter of 1996.

The Company's financial condition remained strong as of October 27, 1996, with total assets of \$3.6 billion, cash and short-term investments of \$1.0 billion, a ratio of current assets to current liabilities of 2.9 to 1 and a total debt to capital ratio of 13.7 percent. The Company's focus on asset management resulted in a decrease in accounts receivable and inventory of \$206.4 million during the fourth fiscal quarter of 1996.

"Looking forward, we believe the industry downturn could extend through the early part of 1997, with the last half of 1997 still uncertain. We are cautiously optimistic that memory device prices and inventory levels are stabilizing in our customers' business," said James C. Morgan, chairman and chief executive officer. "Applied Materials has always used industry slowdowns to strongly position the Company for long-term growth. At present, most of our new products introduced during the past year are being considered by our customers as they prepare for their next phase of technology evolution. During the remainder of the downturn, we will leverage our balanced global presence, broad product line, technical strength and financial resources to develop world-class technology, provide superior global support and seek to increase our market share.

"In keeping with our commitment to technology leadership and product excellence, Applied Materials introduced several key new systems during the fourth fiscal quarter. These systems include the DxZ Optima platform for high-volume CVD applications, as well as the Liner TxZ Centura, a fully integrated CVD-PVD system for advanced multi-level metallization schemes. These introductions follow the second quarter release of the Metal Etch DPS Centura system and Vectra Ion Metal Plasma technology for the manufacture of critical interconnect structures on advanced logic and memory devices. We have also announced plans to build a state-of-the-art European Technical Center in Newcastle, England, and to expand the infrastructure of our Korea and Asia-Pacific operations. Despite the near-term business challenges, we are confident that we will continue our position as the leading producer of advanced manufacturing equipment for the semiconductor industry," Morgan concluded.

Certain matters discussed in this news release contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, but are not limited to, continuing semiconductor device price declines, slowing growth in the demand for semiconductors and the Company's systems and services, semiconductor manufacturers' reduced capital spending, insufficient cost reduction programs being implemented by the Company, product pricing pressures, challenges from the Company's competition and the successful development of new products, services and markets.

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>.

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