



Applied Materials Announces Results for First Fiscal Quarter 1999; New Orders of \$1.03 Billion, Net Sales of \$742 Million

February 16, 1999

SANTA CLARA, Calif.--(BUSINESS WIRE)--Feb. 16, 1999--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 31, 1999, with net sales of \$742 million, down 43 percent from \$1.31 billion for the first fiscal quarter of 1998, and up 10 percent from \$673 million for the fourth fiscal quarter of 1998. Net income for the first fiscal quarter of 1999 was \$52.9 million, or \$0.14 per diluted share. Ongoing net income (see Note below) for the first fiscal quarter of 1999 was \$42.5 million, or \$0.11 per diluted share, down from \$197.8 million, or \$0.52 per diluted share, for the first fiscal quarter of 1998, and up from \$26.4 million, or \$0.07 per diluted share, for the fourth fiscal quarter of 1998. Strong asset management performance resulted in \$1.92 billion of cash and short-term investments at the end of the first fiscal quarter.

New orders of \$1.03 billion for the first fiscal quarter of 1999 increased significantly from \$684 million for the fourth fiscal quarter of 1998, but decreased from \$1.29 billion for the first fiscal quarter of 1998. Geographically, North America new orders for the first fiscal quarter of 1999 were 38 percent of the Company's total new orders, Europe 17 percent, Japan 20 percent, Korea 6 percent, Taiwan 14 percent and Southeast Asia and China 5 percent. Backlog at the end of the first fiscal quarter of 1999 increased to \$1.15 billion, from \$917 million at the end of the fourth fiscal quarter of 1998.

Gross margin for the first fiscal quarter of 1999 was 43.2 percent, down from 48.1 percent for the first fiscal quarter of 1998, and up slightly from 42.3 percent for the fourth fiscal quarter of 1998. Ongoing net income as a percentage of net sales was 5.7 percent for the first fiscal quarter of 1999, compared to 15.1 percent for the first fiscal quarter of 1998 and 3.9 percent for the fourth fiscal quarter of 1998.

"We are pleased with our first quarter results, especially the order momentum exiting the quarter," said James C. Morgan, chairman and chief executive officer. "We believe the industry is in a recovery stage due to stabilization of memory prices and customer migration to 0.18 micron technologies. Applied Materials continues to realize market share gains from next-generation products, capitalizing on the acceleration to advanced technology," continued Morgan.

During the industry downturn, the Company focused on increasing market share for critical 0.18 micron technology. The Ultima HDP-CVD(tm) Centura(R) and Silicon Etch DPS(tm) Centura systems achieved significant penetration for shallow trench isolation applications, which allow transistors to be more closely-spaced for increased device speed. The Dielectric Etch IPS(tm) Centura and Endura(R) Electra Barrier and Seed Cu(tm) systems gained recognition as tools of choice for damascene applications. In addition, the Mirra(R) CMP system has achieved significant market share growth in the key area of planarizing interconnect layers.

Applied Materials continues to strengthen its interconnect product capabilities. The Equipment and Process Integration Center (EPIC) enables customers to develop and test a guaranteed baseline copper interconnect process flow using the Company's full line of integrated systems. There has been significant customer interest for EPIC's first product module, the Copper Interconnect Equipment Set Solution, as chip manufacturers seek low risk methods of developing advanced technologies and entering new markets.

The Company's effective income tax rate for the first fiscal quarter of 1999 was 31 percent, compared to 35 percent for the first fiscal quarter of 1998 and 34 percent for the fourth fiscal quarter of 1998. The reduced rate results primarily from increased federal and state R&D tax credits.

"The near-term outlook for our industry is favorable, with an improved DRAM pricing environment, healthy PC demand and a strong U.S. economy. Our product positioning, combined with the benefits of our global infrastructure, should enable the Company to take advantage of this opportunity," concluded Morgan.

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: increased demand for semiconductors; continued customer migration to advanced technology; continued stability of memory device prices; the ability of the Company to maintain its technology leadership and improve its market share; the ability of the Company to satisfy manufacturing demands, based in part on the availability of critical components; and the successful and timely development of new markets, products, processes and services, including 0.18 micron level and below applications. 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>.

NOTE: As previously announced on December 23, 1998, the Company's net income for the first fiscal quarter of 1999 includes \$20 million of pre-tax, non-operating income related to a payment received from ASM International, B.V. (ASMI) on a restructured note receivable. The Company reserved the note at the end of fiscal 1998; payments will be recorded as non-operating income upon receipt. Net income also includes \$5 million of pre-tax, non-recurring operating expenses incurred in connection with the acquisition of Consilium, Inc., which was completed in December 1998. In the first

fiscal quarter of 1998, the Company recorded \$80 million of pre-tax, non-operating income related to the ASMI litigation settlement, as well as a non-recurring, pre-tax operating charge of \$32.2 million regarding a perpetual, non-exclusive license of certain technologies for use in future product development efforts.

APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)	Three Months Ended	
	Jan. 25, 1998	Jan. 31, 1999
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Net sales	\$1,307,685	\$ 742,477
Cost of products sold	678,244	421,374
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Gross margin	629,441	321,103
Operating expenses:		
Research, development and engineering	182,329	141,207
Marketing and selling	86,389	70,733
General and administrative	65,768	61,594
Non-recurring items	32,227	5,000
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Income from operations	262,728	42,569
Income from litigation settlements	80,000	20,000
Interest expense	11,864	11,470
Interest income	21,279	25,546
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Income before taxes	352,143	76,645
Provision for income taxes	123,250	23,760
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Net income	\$ 228,893	\$ 52,885
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Earnings per share:		
Basic	\$ 0.62	\$ 0.14
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Diluted	\$ 0.60	\$ 0.14
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Weighted average number of shares:		
Basic	366,894	370,530
Diluted	379,101	388,233

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS(a)

(In thousands)	Oct. 25, 1998	Jan. 31, 1999
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 575,205	\$ 562,401

Short-term investments	1,188,351	1,361,912
Accounts receivable, net	764,472	671,319
Inventories	555,881	552,779
Deferred income taxes	337,906	338,217
Other current assets	97,140	110,911
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Total current assets	3,518,955	3,597,539
Property, plant and equipment, net	1,261,520	1,226,701
Other assets	149,217	136,497
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Total assets	\$ 4,929,692	\$ 4,960,737
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$ 644	\$ --
Current portion of long-term debt	7,367	7,652
Accounts payable and accrued expenses	1,041,341	876,618
Income taxes payable	68,974	158,689
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Total current liabilities	1,118,326	1,042,959
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Long-term debt	616,572	616,902
Deferred income taxes and other liabilities	74,173	80,761
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Total liabilities	1,809,071	1,740,622
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Stockholders' equity:

Common stock	3,679	3,730
Additional paid-in capital	792,145	842,664
Retained earnings	2,328,940	2,381,825
Accumulated other comprehensive income	(4,143)	(8,104)
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Total stockholders' equity	3,120,621	3,220,115
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Total liabilities and stockholders' equity	\$ 4,929,692	\$ 4,960,737
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- (a) Amounts as of January 31, 1999 are unaudited. Amounts as of October 25, 1998 are from the October 25, 1998 audited financial statements.

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KEYWORD: CALIFORNIA
INDUSTRY KEYWORD: COMPUTERS/ELECTRONICS COMED EARNINGS