



## **Applied Materials Announces Results for Fourth Fiscal Quarter 1998; New Orders of \$684 Million, Net Sales of \$673 Million**

November 17, 1998

**SANTA CLARA, Calif.--(BUSINESS WIRE)--Nov. 17, 1998--**Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry, reported results for its fourth fiscal quarter ended October 25, 1998, with net sales of \$673 million, down 47 percent from \$1.28 billion for the fourth fiscal quarter of 1997 and down 24 percent from \$884 million for the third fiscal quarter of 1998. The net loss for the fourth fiscal quarter of 1998 was \$186.7 million, or \$0.51 per share. Ongoing net income (net income, excluding one-time items, as applicable and discussed below) for the fourth fiscal quarter of 1998 was \$26.4 million, or \$0.07 per diluted share, down from \$187.3 million, or \$0.49 per diluted share, for the fourth fiscal quarter of 1997, and down from \$70.6 million, or \$0.19 per diluted share, for the third fiscal quarter of 1998. Strong asset management performance resulted in \$1.76 billion of cash and short-term investments as of the end of the fourth fiscal quarter.

New orders of \$684 million for the fourth fiscal quarter of 1998 decreased from \$1.37 billion for the fourth fiscal quarter of 1997 and increased from \$608 million for the third fiscal quarter of 1998. Geographically, North America new orders for the fourth fiscal quarter of 1998 were 52 percent of the Company's total new orders, Europe 12 percent, Japan 17 percent, Korea 5 percent, Taiwan 7 percent and Southeast Asia and China 7 percent. Backlog at the end of the fourth fiscal quarter of 1998 decreased to \$917 million, from \$1 billion at the end of the third fiscal quarter of 1998.

"We are pleased with the financial results we achieved in this challenging industry environment," said James C. Morgan, chairman and chief executive officer. "The actions taken during the third and fourth fiscal quarters to align our cost structure with prevailing market conditions enabled us to meet our financial performance objectives. Although the semiconductor industry continues to be impacted by global economic uncertainty and overcapacity in memory chips, customers are investing in equipment for 0.25 micron and 0.18 micron capable technologies that enable advanced designs, linewidth shrinks, and improved device performance."

Gross margin for the fourth fiscal quarter of 1998 was 42.3 percent, down from 48.1 percent for the fourth fiscal quarter of 1997 and down from 44.6 percent for the third fiscal quarter of 1998. Ongoing net income as a percentage of net sales was 3.9 percent for the fourth fiscal quarter of 1998, compared to 14.6 percent for the fourth fiscal quarter of 1997 and 8 percent for the third fiscal quarter of 1998.

The Company also announced results for its fiscal year ended October 25, 1998, with net sales of \$4.04 billion, a slight decrease from fiscal 1997 net sales of \$4.07 billion. Net income for fiscal 1998 was \$231 million, or \$0.61 per diluted share, down from \$498 million, or \$1.32 per diluted share, for fiscal 1997. Ongoing net income for fiscal 1998 was \$436 million, or \$1.15 per diluted share, compared to \$524 million, or \$1.39 per diluted share, for fiscal 1997. New orders of \$3.61 billion were received for fiscal 1998, down from \$4.53 billion for fiscal 1997.

Applied Materials' focus on innovative product development has produced best-in-class technology in nearly every market in which the Company competes. A key driver of the semiconductor industry is the requirement to increase device performance and speed. To support the industry as it prepares to deal with unprecedented design and fabrication challenges, Applied Materials opened its Equipment and Process Integration Center (EPIC) on November 3, 1998. EPIC is the only facility in the semiconductor equipment industry in which chipmakers can evaluate full equipment sets for advanced chip designs. EPIC's first product module, the Copper Interconnect Equipment Set Solution (ESS), allows customers to quickly test copper interconnect designs before installing equipment in their fabs, thus dramatically reducing start-up time and accelerating time to market for their product introductions.

Customer endorsement of the Silicon Etch DPS(tm) (decoupled plasma source) Centura(R) system and the Endura(R) Integrated PVD/CVD (physical vapor deposition/chemical vapor deposition) Liner/Barrier system, resulted in the selection of these products as "Editor's Choice Best Product" for 1998 by Semiconductor International magazine. The Silicon Etch DPS Centura system helped the Company achieve etch market leadership in 1997, as recognized by Dataquest and VLSI Research, and ranks as one of the industry's most successful products. The Endura Integrated PVD/CVD Liner/Barrier system was the industry's first product to integrate both PVD and CVD technologies on a single system for depositing the critical Ti/TiN liner/barrier films in advanced metal interconnect structures.

As previously announced on October 23, 1998, the Company's results of operations for the fourth fiscal quarter of 1998 include \$170 million of pre-tax non-recurring operating expense items, consisting of: \$50 million for employee severance and benefits associated with a recently completed reduction in force; \$50 million for consolidation of facilities and related fixed assets; and \$70 million for the write-down of intangible assets that are deemed to be impaired. Results of operations for the fourth fiscal quarter of 1998 also include \$65 million of pre-tax non-operating expense associated with a reserve for a doubtful receivable obtained in connection with the ASM International, N.V. patent litigation settlement. In addition, the Company recorded after-tax costs of \$58 million related to the discontinued operations of its 50-50 joint venture, Applied Komatsu Technology, Inc. (AKT), a supplier of fabrication systems used to produce flat panel displays.

"Despite some recent favorable developments in the world economy and semiconductor industry, the outlook for our business is uncertain. Our completed restructuring program and strong balance sheet, coupled with customer-focused leading-edge technology solutions, position the Company to manage successfully in this difficult environment," 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: the length and severity of the current industry downturn; the level of technology upgrades by the Company's customers; the ability of the Company to timely deliver economical solutions to its customers; the ability of the Company to maintain its technology leadership and improve its market share; the ability of the Company to timely align its cost structure with prevailing market conditions; and the successful and timely development of new markets, products, processes and services, including 0.25 micron and 0.18 micron level applications. The Company assumes no obligation to update the information in this press release.

Applied Materials, Inc. is a Fortune 500 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>.

APPLIED MATERIALS, INC.  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	(Unaudited) (a)			
	Three Months Ended		Fiscal Year Ended	
	October 25, 1998	October 26, 1997	October 25, 1998	October 26, 1997
(In thousands, except per share amounts)				
Net sales	\$ 673,195	\$ 1,280,396	\$ 4,041,687	\$ 4,074,275
Cost of products sold	388,158	664,040	2,178,531	2,173,350
Gross margin	285,037	616,356	1,863,156	1,900,925
Operating expenses:				
Research, development and engineering	125,542	175,267	643,852	567,612
Marketing and selling	70,632	91,954	321,606	314,381
General and administrative	59,929	72,420	272,109	252,214
Non-recurring items	170,000	--	237,227	75,818
Income/(loss) from operations	(141,066)	276,715	388,362	690,900
Income/(expense) from litigation settlements	(65,000)	(11,000)	15,000	69,000
Interest expense	10,278	5,119	45,309	20,705
Interest income	21,403	16,533	79,780	59,726
Income/(loss) from consolidated companies before taxes	(194,941)	277,129	437,833	798,921
Provision/(benefit) for income taxes	(66,280)	96,994	148,863	300,447
Income/(loss) from consolidated companies	(128,661)	180,135	288,970	498,474
Provision for discontinuance of joint venture and related equity in net loss	(58,068)	--	(58,068)	--
Net income/(loss)	\$ (186,729)	\$ 180,135	\$ 230,902	\$ 498,474

Earnings/(loss)								
per share:								
Basic - consolidated								
companies	\$	(0.35)	\$	0.49	\$	0.79	\$	1.37
Basic - discontinued								
operations		(0.16)		--		(0.16)		--
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Total basic	\$	(0.51)	\$	0.49	\$	0.63	\$	1.37
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Diluted -								
consolidated								
companies	\$	(0.35)	\$	0.47	\$	0.76	\$	1.32
Diluted -								
discontinued								
operations		(0.16)		--		(0.15)		--
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Total diluted	\$	(0.51)	\$	0.47	\$	0.61	\$	1.32
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Weighted average								
number of shares:								
Basic		367,708		366,406		366,849		363,542
Diluted		367,708		382,775		378,508		377,838

(a) Results of operations for the three months ended October 25, 1998 and October 26, 1997 are unaudited. Results of operations for the fiscal years presented have been audited.

APPLIED MATERIALS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	October 25, 1998	October 26, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 575,205	\$ 448,043
Short-term investments	1,188,351	1,094,912
Accounts receivable, net	764,472	1,110,885
Inventories	555,881	686,451
Deferred income taxes	337,906	324,568
Other current assets	97,140	105,498
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Total current assets	3,518,955	3,770,357
Property, plant and equipment, net	1,261,520	1,066,053
Other assets	149,217	234,356
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Total assets	\$ 4,929,692	\$ 5,070,766
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 644	\$ 55,943
Current portion of long-term debt	7,367	10,563
Accounts payable and accrued expenses	1,041,341	1,157,808
Income taxes payable	68,974	177,774
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Total current liabilities	1,118,326	1,402,088

Long-term debt	616,572	623,090
Deferred income taxes and other liabilities	74,173	103,417
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Total liabilities	1,809,071	2,128,595
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Stockholders' equity:		
Common stock	3,679	3,672
Additional paid-in capital	792,145	850,902
Retained earnings	2,328,940	2,098,038
Cumulative translation adjustments	(4,143)	(10,441)
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Total stockholders' equity	3,120,621	2,942,171
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Total liabilities and stockholders' equity	\$ 4,929,692	\$ 5,070,766
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