



Applied Materials Announces Results for Second Fiscal Quarter 1999; Record New Orders of \$1.39 Billion, Net Sales of \$1.12 Billion

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Business Editors

SANTA CLARA, Calif.--(BUSINESS WIRE)--May 18, 1999--Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry, reported results for its second fiscal quarter ended May 2, 1999. Net sales were \$1.12 billion, up 51 percent from \$742 million for the first fiscal quarter of 1999, and down 5 percent from \$1.18 billion for the second fiscal quarter of 1998. Ongoing net income for the second fiscal quarter of 1999 was \$141.6 million, or \$0.36 per diluted share, up significantly from \$42.5 million, or \$0.11 per diluted share, for the first fiscal quarter of 1999, and approximately the same as the \$141.2 million, or \$0.37 per diluted share, for the second fiscal quarter of 1998. Strong asset management performance resulted in \$2.02 billion of cash and short-term investments at the end of the second fiscal quarter.

New orders for the second fiscal quarter of 1999 reached a record \$1.39 billion, an increase of 35 percent from \$1.03 billion for both the first fiscal quarter of 1999 and second fiscal quarter of 1998. Geographically, North America new orders for the second fiscal quarter of 1999 were 30 percent of the Company's total new orders, Europe 14 percent, Japan 17 percent, Korea 8 percent, Taiwan 25 percent and Southeast Asia and China 6 percent. Backlog at the end of the second fiscal quarter of 1999 increased to \$1.36 billion, from \$1.15 billion at the end of the first fiscal quarter of 1999.

Gross margin for the second fiscal quarter of 1999 was 46.3 percent, up from 43.2 percent for the first fiscal quarter of 1999, and down from 47.1 percent for the second fiscal quarter of 1998. Ongoing net income as a percentage of net sales was 12.7 percent for the second fiscal quarter of 1999, compared to 5.7 percent for the first fiscal quarter of 1999 and 12.0 percent for the second fiscal quarter of 1998. The Company's effective income tax rate for the first and second fiscal quarters of 1999 was 31 percent, compared to 35 percent for the second fiscal quarter of 1998.

"The outstanding second quarter results reflect our ability to deliver the critical equipment needed to manufacture narrower linewidths as our customers continue their transition to 0.18 micron and beyond applications," said James C. Morgan, chairman and chief executive officer. "During the quarter, we were able to capitalize on our extensive product strength and global support to capture both manufacturing capacity and technology advancement purchases. In addition, we are now beginning to realize improved productivity and operating performance as a result of the restructuring actions taken in the last half of fiscal 1998," continued Morgan.

Strong orders for the quarter reflected an increase in demand from manufacturers of logic, memory and communications chips. Product momentum was especially high for the Company's metal deposition, etch, dielectric CVD (chemical vapor deposition) and ion implantation systems. During the quarter, Applied Materials expanded its line of products for the volume production of high-speed, copper-based chips with the announcement of its new electrochemical plating system and the Mirra(R) Electra CMP (chemical mechanical polishing) system. Applied Materials now offers an extensive suite of products for copper chip manufacturing, including the Black Diamond(tm) CVD Centura(R), Dielectric Etch IPS(tm) Centura and Endura(R) Electra Barrier & Seed systems, as well as the WF-736 DUO and SEMVision(tm) systems for defect detection and review.

"The semiconductor industry continues to show signs of improvement in a healthier global economic environment. As the market for computing, consumer, communications and Internet-related products continues to grow, we believe Applied Materials, with our technology leadership and global infrastructure, will have an excellent opportunity to capitalize on this growth," 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 continuing improvement of the semiconductor industry, which is dependent on many factors, including the health of global economies, DRAM prices and overall demand for logic, communications, memory and other chips; continued customer transition to advanced technology, including 0.18 micron and beyond applications; the ability of the Company to continue to achieve improvements in productivity and operating performance; 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 continued growth of the market for computing, consumer, communications and Internet-related products. 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>.

Applied Materials, Inc.
Consolidated Statements of Operations
(Unaudited)

Three Months Ended Six Months Ended

| (In thousands, except per share amounts) | April 26, 1998 | May 2, 1999 | April 26, 1998 | May 2, 1999 |
|---|-------------------|----------------|-------------------|----------------|
| Net sales | \$1,176,316 | \$1,117,626 | \$2,484,001 | \$1,860,103 |
| Cost of products sold | 622,027 | 600,385 | 1,300,271 | 1,021,759 |
| Gross margin | 554,289 | 517,241 | 1,183,730 | 838,344 |
| Operating expenses: | | | | |
| Research, development and engineering | 181,937 | 166,144 | 364,266 | 307,351 |
| Marketing and selling | 84,689 | 77,200 | 171,078 | 147,933 |
| General and administrative | 76,745 | 80,885 | 142,513 | 142,479 |
| Non-recurring items | -- | -- | 32,227 | 5,000 |
| Income from operations | 210,918 | 193,012 | 473,646 | 235,581 |
| Income from litigation settlements | -- | -- | 80,000 | 20,000 |
| Interest expense | 11,885 | 11,594 | 23,749 | 23,064 |
| Interest income | 18,230 | 23,856 | 39,509 | 49,402 |
| Income before taxes | 217,263 | 205,274 | 569,406 | 281,919 |
| Provision for income taxes | 76,042 | 63,635 | 199,292 | 87,395 |
| Net income | \$ 141,221 | \$ 141,639 | \$ 370,114 | \$ 194,524 |
| Earnings per share: | | | | |
| Basic | \$ 0.39 | \$ 0.38 | \$ 1.01 | \$ 0.52 |
| Diluted | \$ 0.37 | \$ 0.36 | \$ 0.98 | \$ 0.50 |
| Weighted average number of shares: | | | | |
| Basic | 365,936 | 374,300 | 366,555 | 372,379 |
| Diluted | 379,247 | 395,724 | 379,320 | 392,242 |

Applied Materials, Inc.
Consolidated Condensed Balance Sheets(a)

| (In thousands) | Oct. 25, 1998 | May 2, 1999 |
|------------------------------------|------------------|----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 575,205 | \$ 518,564 |
| Short-term investments | 1,188,351 | 1,499,076 |
| Accounts receivable, net | 764,472 | 920,464 |
| Inventories | 555,881 | 577,917 |
| Deferred income taxes | 337,906 | 337,016 |
| Other current assets | 97,140 | 107,845 |
| Total current assets | 3,518,955 | 3,960,882 |
| Property, plant and equipment, net | 1,261,520 | 1,209,177 |
| Other assets | 149,217 | 153,447 |

| | | |
|--------------|--------------|--------------|
| Total assets | \$ 4,929,692 | \$ 5,323,506 |
|--------------|--------------|--------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|---------------------------------------|-----------|-----------|
| Notes payable | \$ 644 | \$ 8,994 |
| Current portion of long-term debt | 7,367 | 6,846 |
| Accounts payable and accrued expenses | 1,041,341 | 1,024,418 |
| Income taxes payable | 68,974 | 199,672 |
| Total current liabilities | 1,118,326 | 1,239,930 |

| | | |
|---|-----------|-----------|
| Long-term debt | 616,572 | 613,336 |
| Deferred income taxes and other liabilities | 74,173 | 84,435 |
| Total liabilities | 1,809,071 | 1,937,701 |

Stockholders' equity:

| | | |
|---|-----------|-----------|
| Common stock | 3,679 | 3,754 |
| Additional paid-in capital | 792,145 | 876,718 |
| Retained earnings | 2,328,940 | 2,523,464 |
| Accumulated other comprehensive income/(loss) | (4,143) | (18,131) |
| Total stockholders' equity | 3,120,621 | 3,385,805 |

| | | |
|--|--------------|--------------|
| Total liabilities and stockholders' equity | \$ 4,929,692 | \$ 5,323,506 |
|--|--------------|--------------|

(a) Amounts as of May 2, 1999 are unaudited. Amounts as of October 25, 1998 are from the October 25, 1998 audited financial statements.

Applied Materials' Second Fiscal Quarter 1999 Conference Call will be pilot broadcast via its Internet site, www.appliedmaterials.com, on May 18, 1999, starting at 1:30 p.m. (PDT).

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