



APPLIED MATERIALS ANNOUNCES RESULTS FOR SECOND FISCAL QUARTER 1998

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New Orders of \$1.03 Billion, Net Sales of \$1.18 Billion

SANTA CLARA, Calif., May 12, 1998 -- 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 April 26, 1998, with net sales of \$1.18 billion, an increase of 31 percent from \$900.9 million for the second fiscal quarter of 1997, and a decrease of 10 percent from \$1.31 billion for the first fiscal quarter of 1998. Ongoing net income (net income, excluding one-time items, as applicable) for the second fiscal quarter of 1998 was \$141.2 million, or \$0.37 per diluted share, up from \$102.1 million, or \$0.27 per diluted share, for the second fiscal quarter of 1997, and down from \$197.8 million, or \$0.52 per diluted share, for the first fiscal quarter of 1998.

New orders of \$1.03 billion for the second fiscal quarter of 1998 increased slightly from \$1.01 billion for the second fiscal quarter of 1997, and decreased 20 percent from \$1.29 billion for the first fiscal quarter of 1998. Geographically, North America new orders for the second fiscal quarter of 1998 were 42 percent of the Company's total new orders, Europe 16 percent, Japan 15 percent, Korea 4 percent, Taiwan 11 percent and Asia-Pacific 12 percent. New orders for the second fiscal quarter of 1998 included \$70 million from China, the strongest quarter to date for orders from this developing market.

"We are pleased with our second quarter results, especially considering the difficult business environment for the semiconductor equipment industry," said James C. Morgan, chairman and chief executive officer. "Nearly 50 percent of this quarter's new systems orders were for 0.25 micron and below technology, more than twice the amount from just one year ago, demonstrating the rapid industry transition to smaller line-widths."

Gross margin for the second fiscal quarter of 1998 was 47.1 percent, up from 46 percent for the second fiscal quarter of 1997, and down from 48.1 percent for the first fiscal quarter of 1998. Ongoing net income as a percentage of net sales was 12 percent for the second fiscal quarter of 1998, compared to 11.3 percent for the second fiscal quarter of 1997 and 15.1 percent for the first fiscal quarter of 1998. Backlog at the end of the second fiscal quarter of 1998 decreased to \$1.41 billion, from \$1.64 billion at the end of the first fiscal quarter of 1998.

"Semiconductor manufacturers continue to delay capital equipment investment while they assess DRAM overcapacity, the Asian financial crisis and demand shifts in the PC market resulting from lower priced products," continued Morgan. "Recent cutbacks in capital spending by most major North American chip manufacturers further limit our ability to determine the length and severity of the current downturn. Consequently, we are cautious about the near term and will manage the business based on expected revenue levels."

One of Applied Materials' strengths is its ability to invest aggressively in new technology and to grow its leadership position during industry downturns. The Company's Ultima HDP-CVD™ (high density plasma-chemical vapor deposition) Centura® system, introduced during the last downturn, is now considered the system of choice for production of advanced logic and memory devices at 0.25 micron and below. In March 1998, SGS-Thomson selected this system as its production tool of record for their most critical dielectric film applications. Orders for the Company's Ultima HDP-CVD system for the second fiscal quarter more than doubled from the first fiscal quarter, and included multiple repeat orders.

Second quarter orders for CMP (chemical mechanical polishing) systems were up 60 percent from the prior quarter and exceeded total orders for fiscal 1997. CMP is one of the fastest growing market segments of the semiconductor capital equipment industry, and the Mirra® CMP is rapidly gaining customer acceptance for oxide planarization. The Company recently introduced a tungsten process capability for the Mirra CMP system to capitalize on additional market opportunities. "The successful CMP and HDP-CVD product introductions, coupled with continued acceptance of leading-edge etch and metallization products, demonstrate our ability to meet advanced technology requirements," said Morgan.

"Our customers' continued investment in strategic technology indicates that the long-term outlook for the semiconductor capital equipment industry remains positive. Historically, Applied Materials has successfully managed through difficult business cycles to deliver strong operational and financial performance. We are confident that, despite this current business challenge, we will strengthen our industry-leading position," Morgan concluded.

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; the continued instability in DRAM prices; continued demand shifts in the PC market; the Company's ability to timely align its cost structure with prevailing market conditions; slowing growth in the demand for the Company's systems and services; the successful and timely development of new markets, products, processes and services (including fabrication equipment for new materials, 300mm wafers and 0.25 micron and below devices); 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>.

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