



## APPLIED MATERIALS ANNOUNCES RESULTS FOR SECOND FISCAL QUARTER 1997

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Contact:

Shannon Fryhoff  
editorial/media  
(408) 986-7229

Carolyn Schwartz  
investment community  
(408) 748-5227

Orders of \$1.0 Billion, Sales of \$900.9 Million, Income of \$102.1 Million

SANTA CLARA, Calif., May 13, 1997 -- Applied Materials, Inc. reported results for the second fiscal quarter ended April 27, 1997, with net sales of \$900.9 million, a decrease of 20.1 percent from \$1.1 billion for the second fiscal quarter of 1996, and an increase of 7.8 percent from \$835.8 million for the first fiscal quarter of 1997. Net income for the second fiscal quarter of 1997 was \$102.1 million, or \$0.54 per share, down 45.0 percent from \$185.8 million, or \$1.01 per share, for the second fiscal quarter of 1996. New orders of \$1.0 billion were booked during the second fiscal quarter of 1997, down from \$1.3 billion during the second fiscal quarter of 1996, but up from \$904.7 million in the first fiscal quarter of 1997. Backlog increased to \$1.5 billion at the end of the second fiscal quarter of 1997, from \$1.4 billion at the end of the first fiscal quarter of 1997.

Net income for the second fiscal quarter of 1997 was \$102.1 million, or 11.3 percent of net sales, up from \$89.1 million, or 10.7 percent of net sales, excluding a \$59.5 million one-time acquisition related charge, for the first fiscal quarter of 1997. Gross margin for the second fiscal quarter of 1997 improved to 46.0 percent, from 44.5 percent in the first fiscal quarter of 1997. "Because of our commitment to delivering total solutions to our customers at a cost-effective price, we are constantly looking for more efficient ways to manufacture products and provide services, and will continue to focus on these opportunities as our business volume increases," said James C. Morgan, chairman and chief executive officer. Decreased gross margin and net income in the second fiscal quarter of 1997, when compared to the second fiscal quarter of 1996, is primarily attributable to reduced business volume and increased investment in 300mm product development.

"We are encouraged by the continued improvement in new orders for advanced semiconductor manufacturing equipment from the \$683.2 million in new orders received in the fourth fiscal quarter of 1996, the low point of this business cycle, to \$1.0 billion in our second fiscal quarter of 1997," said Morgan. Geographically, new orders for the second fiscal quarter of 1997 from North America were 40 percent of the Company's total orders, Europe 13 percent, Japan 22 percent, Korea 7 percent and Asia-Pacific 18 percent. "Semiconductor manufacturers are continuing to invest strategically for leading-edge capability and capacity, providing new opportunities for our advanced technologies in multiple product areas. In addition, a significant emerging trend is the investment in new production sites in North America and Europe by Korean and Asia-Pacific customers. With our worldwide infrastructure and resources, Applied Materials is well positioned to support and benefit from this globalization of the industry," added Morgan.

The Company's financial condition remained strong as of April 27, 1997, with total assets of \$3.9 billion, of which \$1.1 billion was cash and short-term investments. On May 5, 1997, the Company announced that it had reached a settlement with Novellus Systems, Inc., whereby Novellus agreed to pay \$80 million in damages to Applied Materials for past patent infringement. This amount was received early in the third fiscal quarter of 1997 and will be reflected in the Company's results of operations for that period. Novellus also agreed to pay ongoing royalties for system shipments subsequent to the date of the settlement.

"We are excited about our recent shipment of the industry's first 300mm production wafer processing system and the shipment of our 5,000 th single-wafer, multi-chamber system. Our recent product introductions have created a unique portfolio of leading-edge technologies for the 0.25 micron generation purchases that are now a significant part of our business. In April, we launched the Dielectric Etch IPS Centura, which is the industry's most advanced oxide etcher for 0.25 micron and below devices. Our metal and silicon DPS etch technology is also showing very strong gains for 0.25 micron production. In CVD (chemical vapor deposition), we are ramping production of our Ultima High Density Plasma Centura system to meet the rapid customer acceptance of this technology.

"The PVD (physical vapor deposition) business is strong and customers are qualifying the recently introduced IMP (ion metal plasma) barrier technology, and the Cool Aluminum PVD/CVD process. After its first full year in the market, the RTP (rapid thermal processing) Centura has achieved market leadership and customers are placing repeat orders for multiple units of our Mirra CMP (chemical mechanical polishing) system. Overall, we expect increasing demand for the Company's products as our customers ramp up their production lines," Morgan said.

"The outlook for the remainder of fiscal 1997 continues to be positive and we remain focused on leveraging our resources to better serve our customers' need for leading-edge technology and global support. There are tremendous long-term opportunities resulting from the increasingly pervasive use of semiconductors in electronic devices and the industry's transition to larger substrate sizes and smaller device geometries. We are moving quickly to extend all of our process technologies to the coming 300mm wafer size and we are committed to maintaining our leadership position in the semiconductor equipment industry," Morgan concluded.

This press release contains certain 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: the increasing pervasiveness and percentage of value represented by semiconductors in electronic devices; changes in the relationship between semiconductor inventory levels and the demand for semiconductors, especially in the personal computer market; changes in customers' strategic investment levels; the successful and timely development of new products, processes and services (including fabrication equipment for 300mm wafers and 0.25 micron and below devices); the

successful development of new markets; continued manufacturing efficiencies; and product pricing pressures and other challenges from the Company's competition. The Company assumes no obligation to update the information in this 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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