



APPLIED MATERIALS ANNOUNCES RECORD RESULTS FOR THE FOURTH FISCAL QUARTER OF 1997

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Record New Orders, Revenue, Ongoing Net Income and Cash Levels

SANTA CLARA, Calif., November 20, 1997 -- Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the worldwide semiconductor industry, reported results for its fourth fiscal quarter ended October 26, 1997, with record net sales of \$1.28 billion, an increase of 48.7 percent from net sales of \$861.0 million for the fourth fiscal quarter of 1996. Net income of \$180.1 million, or \$0.47 per share, increased significantly compared to net income of \$73.1 million, or \$0.20 per share, for the fourth fiscal quarter of 1996. Excluding the one-time items discussed below that are reflected in the Company's results of operations for the fourth fiscal quarters of 1997 and 1996, ongoing net income for the fourth fiscal quarter of 1997 was a record \$187.3 million, or \$0.49 per share, compared to ongoing net income for the fourth fiscal quarter of 1996 of \$89.4 million, or \$0.24 per share. Gross margin for the fourth fiscal quarter of 1997 improved to 48.1 percent, the highest level since the second fiscal quarter of 1989, from 47.2 percent for the third fiscal quarter of 1997 and 44.1 percent for the fourth fiscal quarter of 1996.

Record new orders of \$1.37 billion were received in the fourth fiscal quarter of 1997, more than double the new orders of \$683.2 million received in the fourth fiscal quarter of 1996, and an increase of 10.9 percent from new orders of \$1.24 billion for the third fiscal quarter of 1997. Backlog at the end of fiscal 1997 increased to \$1.72 billion, from \$1.42 billion at the end of fiscal 1996.

"During fiscal 1997, business conditions strengthened and we exited the year with significant momentum," said James C. Morgan, chairman and chief executive officer. "This was a challenging year for the semiconductor equipment industry, yet Applied Materials was able to outperform the industry and deliver strong financial results. Order momentum started building in our second fiscal quarter and continued through the remainder of the year, allowing us to achieve record levels of new orders, net sales and ongoing net income during our fourth fiscal quarter."

Geographically, new orders for the fourth fiscal quarter of 1997 from customers located in North America were 29 percent of the Company's total orders, Europe 16 percent, Japan 18 percent and Korea 7 percent. Asia-Pacific, driven by strong demand from customers in Taiwan and Singapore, represented 30 percent of the Company's new orders for the quarter.

In a significant intellectual property matter, the Company settled all outstanding litigation with General Signal Corporation in the fourth fiscal quarter of 1997. In connection with this settlement, the Company made a one-time payment of \$11.0 million and acquired ownership from General Signal of five patents regarding "cluster tool" architecture, which had originally belonged to Drytek Systems. This payment has been reflected in the Company's results of operations for the fourth fiscal quarter of 1997.

The Company also declared and executed a two-for-one stock split in the form of a 100 percent stock dividend in the fourth fiscal quarter of 1997. All prior period common stock and per share amounts appearing in this release have been restated to reflect this stock split. During the fourth fiscal quarter of 1997, the Company issued \$400 million of senior notes payable, the proceeds of which will be used for general corporate purposes, including capital expenditures and working capital needs. As a result of this financing and ongoing asset management efforts, the Company ended fiscal 1997 with cash and short-term investments totaling \$1.54 billion, the highest level in the Company's history.

The Company also announced results for its fiscal year ended October 26, 1997, with net sales of \$4.07 billion, a slight decrease from fiscal 1996 net sales of \$4.14 billion. Net income for fiscal 1997 was \$498.5 million, or \$1.32 per share, down from \$599.6 million, or \$1.63 per share, for fiscal 1996. Ongoing net income for fiscal 1997 was \$523.7 million, or \$1.39 per share, compared to ongoing net income for fiscal 1996 of \$615.9 million, or \$1.68 per share. Record new orders of \$4.53 billion were received in fiscal 1997, up from \$4.27 billion in fiscal 1996.

The Company's results of operations for fiscal 1997 include certain non-recurring items, specifically: a non-tax deductible charge of \$59.5 million in the first fiscal quarter for acquired in-process research and development related to the acquisitions of Opal, Inc. and Orbot Instruments Ltd.; pre-tax income of \$80.0 million from the Novellus Systems, Inc. litigation settlement in the third fiscal quarter; pre-tax bad debt expense of \$16.3 million in the third fiscal quarter associated with receivables from Thailand-based Submicron Technology PCL; and \$11.0 million of pre-tax expense in the fourth fiscal quarter for the litigation settlement with General Signal Corporation. Fiscal 1996 results of operations include a pre-tax charge of \$25.1 million in the fourth fiscal quarter for costs associated with the Company's reduction in force and consolidation of certain facilities.

"The improved industry environment was driven primarily by strength in the logic and microprocessor markets, increased Asian foundry investment and technology buys for 0.25 micron level production," continued Morgan. "This is evidenced by our fourth fiscal quarter new orders, of which almost 40 percent were for 0.25 micron or below applications. Our strong product capability in leading-edge technology enabled us to gain significant market share in etch, physical vapor deposition (PVD), chemical vapor deposition (CVD), chemical mechanical polishing (CMP) and rapid thermal processing

(RTP). Two of our advanced technology products won *Semiconductor International's* "Editor's Choice Best Product" awards: the Ultima HDP (High Density Plasma)-CVD Centura and the Metal Etch DPS (Decoupled Plasma Source) Centura systems.

"As we look forward to fiscal 1998, we believe we are strongly positioned across all of our product lines to address our customers' requirements for next-generation manufacturing technologies. During the low point of the most recent industry cycle, we were able to deliver after-tax profits, excluding one-time items in excess of 10 percent of revenues in each fiscal quarter. This accomplishment gives us confidence that we have the capability to adequately manage the Company and deliver solid financial performance in a variety of environments. With our recent 30th anniversary, we celebrated our past success and now look forward to extending our position as the leading producer of advanced manufacturing equipment for the semiconductor industry," Morgan concluded.

In the first fiscal quarter of 1998, the Company settled all outstanding litigation with Advanced Semiconductor Materials, Inc. (ASM). As a result of this settlement, the Company received a convertible note of \$80.0 million, against which a payment of \$15.0 million was received in early November. In the first fiscal quarter of 1998, the Company will recognize a favorable \$80.0 million of pre-tax non-operating income related to this transaction, consisting of \$15.0 million of cash and the unpaid balance of the note. ASM is also required to pay ongoing royalties for all future sales of products subject to the agreement. On November 12, 1997, the Company announced that it agreed to make a one-time payment of \$30.0 million to Trikon Technologies, Inc. for a non-exclusive, worldwide, perpetual license of MORITM plasma source and ForcefillTM deposition technology. In connection with this transaction, the Company will recognize approximately \$32.0 million of pre-tax expense, including transaction costs, in its first fiscal quarter of 1998.

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 ability to adequately manage the Company in a variety of economic and industry environments; currency fluctuations and instability in global financial markets, especially in Asia-Pacific; the successful and timely development of new markets, products, processes and services (including fabrication equipment for 300mm wafers and 0.25 micron and below devices); manufacturing capability and capacity, based in part on the availability of critical manufacturing components; 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 www.AppliedMaterials.com.

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