



Applied Materials Announces Record Results for Third Fiscal Quarter 1999; New Orders of \$1.46 Billion, Net Sales of \$1.43 Billion

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Business Editors

SANTA CLARA, Calif.--(BUSINESS WIRE)--Aug. 17, 1999--Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry, reported results for its third fiscal quarter ended August 1, 1999. Record net sales of \$1.43 billion were 28 percent higher than \$1.12 billion for the second fiscal quarter of 1999, and 62 percent higher than \$884 million for the third fiscal quarter of 1998. Record ongoing net income for the third fiscal quarter of 1999 was \$244.4 million, or \$0.61 per diluted share, an increase from \$141.6 million, or \$0.36 per diluted share, for the second fiscal quarter of 1999, and from \$70.6 million, or \$0.19 per diluted share, for the third fiscal quarter of 1998. Strong asset management performance resulted in a record \$2.26 billion of cash and short-term investments at the end of the third fiscal quarter.

New orders for the third fiscal quarter of 1999 reached a record \$1.46 billion, an increase of 5 percent from \$1.39 billion for the second fiscal quarter of 1999 and an increase of 140 percent from \$608 million for the third fiscal quarter of 1998. Regional distribution of new orders for the third fiscal quarter of 1999 was: North America 28 percent, Taiwan 26 percent, Japan 16 percent, Europe 16 percent, Korea 8 percent and Southeast Asia and China 6 percent. Backlog at the end of the third fiscal quarter of 1999 was \$1.34 billion.

Gross margin for the third fiscal quarter of 1999 increased to 48.7 percent, from 46.3 percent for the second fiscal quarter of 1999, and from 44.6 percent for the third fiscal quarter of 1998. Ongoing net income as a percentage of net sales was a record 17.1 percent for the third fiscal quarter of 1999, compared to 12.7 percent for the second fiscal quarter of 1999 and 8 percent for the third fiscal quarter of 1998.

"We are extremely pleased with our record performance this quarter," said James C. Morgan, chairman and chief executive officer. "Our customers are experiencing the early stages of a broad-based recovery, fueled by low inventories and strong demand across all product categories, with particular strength in communications and consumer electronic products. Our new orders this quarter were driven by both capacity and technology requirements for 0.18 micron production and pilot line applications, as well as by research and development for next-generation products with design features below 0.18 micron."

"Gross margin reached the highest level in this decade, reflecting the achievement of many operational objectives set within the last year emphasizing cost control and productivity improvement," continued Morgan.

The Company continues to increase its market share in all product segments, with applications incorporating new materials such as copper and low-k dielectric films contributing to these gains. During the quarter, the Company received its first orders for the Electra(TM) Cu ECP (ElectroChemical Plating) system for copper fill, which complements the Company's industry-leading Endura(R) Electra Cu Barrier & Seed system to provide Total Solutions(TM) for high-volume copper manufacturing. The Company also received multiple repeat orders for its high-throughput Producer(TM) platform.

Product introductions this quarter included the Mirra(R) Mesa(TM) CMP (chemical mechanical polishing) system, an integrated polisher and cleaner that provides the industry's highest wafer throughput per square foot; the Quantum(TM) ion implanter, a 200mm/300mm compatible system that extends high current implant technology to 0.13 micron device geometries; and BLOk(TM), an innovative barrier dielectric film that is combined with other low-k films to increase the overall insulating capability between copper circuit lines. In addition, the Company launched a unique line of service products called Total Service Solutions(TM), which provides customers a performance guarantee to lower overall operating costs and improve system productivity of Applied Materials' equipment.

"We believe the market for semiconductor equipment may double over the next five years, driven by three waves of industry activity," said Morgan. "The first wave, the acceleration of Moore's Law to smaller linewidths, is driving orders today. The second wave, the introduction of several new materials, including copper and low-k dielectric films, is creating the need for a broad range of innovative process technologies. Just on the horizon is the third wave, the industry's move to 300mm wafers, which will require completely new wafer processing equipment. Our broad product offerings, product development capability and global infrastructure continue to position the Company to address the opportunities ahead," 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 broad-based recovery 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, new materials and 300mm wafers; 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		Nine Months Ended	
	July 26, 1998	Aug. 1, 1999	July 26, 1998	Aug. 1, 1999
(In thousands, except per share amounts)				
Net sales	\$ 884,491	\$1,433,510	\$3,368,492	\$3,293,613
Cost of products sold	490,102	734,895	1,790,373	1,756,654
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Gross margin	394,389	698,615	1,578,119	1,536,959
Operating expenses:				
Research, development and engineering	154,044	171,195	518,310	478,546
Marketing and selling	79,896	87,627	250,974	235,560
General and administrative	69,667	99,634	212,180	242,113
Non-recurring items	35,000	--	67,227	5,000
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Income from operations	55,782	340,159	529,428	575,740
Non-recurring income	--	--	80,000	20,000
Interest expense	11,282	11,883	35,031	34,947
Interest income	18,868	25,950	58,377	75,352
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Income before taxes	63,368	354,226	632,774	636,145
Provision for income taxes (a)	15,851	109,810	215,143	197,205
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Net income	\$ 47,517	\$ 244,416	\$ 417,631	\$ 438,940
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Earnings per share:				
Basic	\$ 0.13	\$ 0.65	\$ 1.14	\$ 1.17
Diluted	\$ 0.13	\$ 0.61	\$ 1.10	\$ 1.11
Weighted average number of shares:				
Basic	366,942	376,901	366,584	373,815
Diluted	378,072	397,877	378,808	394,196

(a) The Company's effective income tax rate for the third fiscal quarter of 1999 was 31 percent, compared to 25 percent for the third fiscal quarter of 1998. In the third fiscal quarter of 1998, the Company changed its effective income tax rate for fiscal 1998 from 35 percent to 34 percent, and recorded the cumulative effect of this change in the third fiscal quarter of 1998.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS(b)

(In thousands)

Oct. 25, 1998	Aug. 1, 1999
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ASSETS

Current assets:

Cash and cash equivalents	\$ 575,205	\$ 577,999
Short-term investments	1,188,351	1,680,616
Accounts receivable, net	764,472	1,107,712
Inventories	555,881	575,333
Deferred income taxes	337,906	335,213
Other current assets	97,140	127,003
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Total current assets	3,518,955	4,403,876
Property, plant and equipment, net	1,261,520	1,195,337
Other assets	149,217	167,658
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Total assets	\$ 4,929,692	\$ 5,766,871
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$ 644	\$ 876
Current portion of long-term debt	7,367	6,361
Accounts payable and accrued expenses	1,041,341	1,118,863
Income taxes payable	68,974	275,927
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Total current liabilities	1,118,326	1,402,027
Long-term debt	616,572	611,920
Deferred income taxes and other liabilities	74,173	85,041
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Total liabilities	1,809,071	2,098,988
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Stockholders' equity:		
Common stock	3,679	3,784
Additional paid-in capital	792,145	918,883
Retained earnings	2,328,940	2,767,880
Accumulated other comprehensive income/(loss)	(4,143)	(22,664)
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Total stockholders' equity	3,120,621	3,667,883
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Total liabilities and stockholders' equity	\$ 4,929,692	\$ 5,766,871
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(b) Amounts as of August 1, 1999 are unaudited. Amounts as of October 25, 1998 are from the October 25, 1998 audited financial statements.

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