



## **Applied Materials Announces Record Results for Fourth Quarter and for Fiscal Year 1999; Record New Orders, Net Sales and Net Income**

November 17, 1999

SANTA CLARA, Calif.--(BUSINESS WIRE)--Nov. 17, 1999--Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the global semiconductor industry, reported record results for its fourth fiscal quarter ended October 31, 1999. Record net sales of \$1.57 billion were 9 percent higher than \$1.43 billion for the third fiscal quarter of 1999, and 133 percent higher than \$673 million for the fourth fiscal quarter of 1998. Record ongoing net income (net income, excluding one-time items) for the fourth fiscal quarter of 1999 was \$307 million, or \$0.77 per diluted share, an increase from \$254 million, or \$0.64 per diluted share, for the third fiscal quarter of 1999, and an increase from \$8 million, or \$0.02 per diluted share, for the fourth fiscal quarter of 1998. The effect on net income of the one-time items recorded in the fourth fiscal quarter of 1999 was less than one cent per diluted share. Detailed information regarding prior period reclassifications resulting from the acquisition of AKT and regarding one-time items is included in the attached financial statements.

New orders for the fourth fiscal quarter of 1999 reached a record \$1.65 billion, an increase of 13 percent from \$1.46 billion for the third fiscal quarter of 1999, and an increase of 141 percent from \$684 million for the fourth fiscal quarter of 1998. Regional distribution of new orders for the fourth fiscal quarter of 1999 was: North America 28 percent, Taiwan 25 percent, Europe 20 percent, Japan 18 percent, Southeast Asia and China 7 percent and Korea 2 percent.

"The semiconductor industry strengthened as our fourth quarter progressed," said James C. Morgan, chairman and chief executive officer. "Our customers' capital spending outlook for their capacity needs and next-generation capabilities improved as a result of stronger economic conditions in Asia, better pricing for memory chips and tightening supply of key semiconductor products."

Gross margin for the fourth fiscal quarter of 1999 increased to 50.1 percent, from 48.7 percent for the third fiscal quarter of 1999, and from 42.3 percent for the fourth fiscal quarter of 1998. Ongoing net income as a percentage of net sales was a record 19.6 percent for the fourth fiscal quarter of 1999, compared to 17.7 percent for the third fiscal quarter of 1999 and 1.2 percent for the fourth fiscal quarter of 1998.

The Company also announced record results for its fiscal year ended October 31, 1999, with net sales of \$4.86 billion, a 20 percent increase from fiscal 1998 net sales of \$4.04 billion. Ongoing net income for fiscal 1999 was \$748 million, or \$1.89 per diluted share, up from \$417 million, or \$1.10 per diluted share, for fiscal 1998. New orders of \$5.52 billion were received for fiscal 1999, up from \$3.61 billion for fiscal 1998. Backlog at the end of the fourth fiscal quarter of 1999 was \$1.66 billion.

"The second half of 1999 marks the beginning of a new capacity expansion and advanced technology investment in the semiconductor industry. Our technology leadership in 0.18 micron and below applications, effective global operating capability and demonstrated ability to respond quickly to customer requirements drove our record performance and has enabled us to gain market share," continued Morgan.

Successful product positioning over the last two years enabled the Company to meet customer requirements for increased production during 1999, particularly for advanced logic applications. Products such as Endura(R) ALPS+ PVD, Endura Integrated Liner/Barrier, Metal Etch DPS Plus(TM) Centura(R), Ultima HDP-CVD(TM) Centura and Mirra(R) CMP systems all benefited from the transition to production of 0.18 micron devices.

Gaining momentum in the marketplace are products introduced during 1999: the Electra Cu(TM) ECP electroplating system and Mirra Cu CMP systems for copper, low-k dielectric film processes (BLOk(TM) and Black Diamond(TM)), the SEMVision(TM) for defect review and the Quantum(TM) series of ion implantation systems. The Company also has a full line of systems ready to support the transition of semiconductor manufacturers to 300mm wafers and new materials like copper.

In addition to its expanded lineup of new technologies, the Company increased the value of its products to the semiconductor industry with the introduction of new installed base solutions that enable the continuous reduction of customer operating costs. These new solutions are rapidly being accepted in the marketplace.

"We believe that traditional sources of demand, such as personal computers, together with the emergence of major new industry drivers, such as telecommunications, Internet applications and consumer sectors, will continue to generate demand for semiconductors. These factors are expected to fuel overall market growth in 2000," said Morgan. "Applied Materials, with its market-leading products and global capabilities, is well positioned to benefit from this market 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 continued strengthening of the semiconductor industry, which is dependent on many factors, including DRAM prices, the health of global economies and overall demand for logic, communications, memory and other chips; continued customer transition to new materials, 300mm wafers and advanced technology, including 0.18 micron and below applications and flat panel displays; the ability of the Company to respond quickly to customer requirements; the ability of the Company to maintain its technology leadership and improve its market share; the continued growth of the market for computing, consumer and telecommunications products; and the ability of the Company to successfully integrate the operations of acquired companies. 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) (a)    |                  |                   |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | Three Months Ended |                  | Fiscal Year Ended |                  |
|   | Oct. 25,<br>1998   | Oct. 31,<br>1999 | Oct. 25,<br>1998  | Oct. 31,<br>1999 |
| (In thousands, except per share amounts)                                    |                    |                  |                   |                  |
| Net sales   | \$ 673,195         | \$ 1,565,523     | \$ 4,041,687      | \$ 4,859,136     |
| Cost of products sold   | 388,158            | 780,639          | 2,178,531         | 2,537,293        |
|   | -----              | -----            | -----             | -----            |
| Gross margin  | 285,037            | 784,884          | 1,863,156         | 2,321,843        |
| Operating expenses:   |                    |                  |                   |                  |
| Research, development and engineering                                       | 125,542            | 203,251          | 643,852           | 681,797          |
| Marketing and selling   | 70,632             | 89,938           | 321,606           | 325,498          |
| General and administrative  | 59,929             | 90,374           | 272,109           | 332,487          |
| Non-recurring items(b)  | 170,000            | 43,400           | 237,227           | 48,400           |
|   | -----              | -----            | -----             | -----            |
| Income/(loss) from operations   | (141,066)          | 357,921          | 388,362           | 933,661          |
| Non-recurring income/(loss)(b)  | (65,000)           | 10,000           | 15,000            | 30,000           |
| Interest expense  | 10,278             | 12,146           | 45,309            | 47,093           |
| Interest income   | 21,403             | 29,870           | 79,780            | 105,222          |
|   | -----              | -----            | -----             | -----            |
| Income/(loss) before taxes and equity in net income/(loss) of joint venture | (194,941)          | 385,645          | 437,833           | 1,021,790        |
| Provision/(benefit) for income taxes  | (66,280)           | 132,725          | 148,863           | 329,930          |
|   | -----              | -----            | -----             | -----            |
| Income/(loss) before equity in net income/(loss) of joint venture           | (128,661)          | 252,920          | 288,970           | 691,860          |
| Restructuring charges from joint venture(b)                                 | (18,423)           | 3,677            | (18,423)          | 3,677            |
| Equity in net income/(loss) of joint venture                                | (18,649)           | 18,068           | (18,649)          | 30,116           |
|   | -----              | -----            | -----             | -----            |
| Income/(loss) from continuing operations                                    | (165,733)          | 274,665          | 251,898           | 725,653          |

|  |              |            |            |            |
|--|--------------|------------|------------|------------|
| Provision for<br>discontinuance<br>of joint venture(b) | (20,996)     | 33,044     | (20,996)   | 20,996     |
| Net income/(loss)                                      | \$ (186,729) | \$ 307,709 | \$ 230,902 | \$ 746,649 |

Earnings/(loss) per share:

|                                       |           |         |         |         |
|---------------------------------------|-----------|---------|---------|---------|
| Basic -<br>continuing<br>operations   | \$ (0.45) | \$ 0.72 | \$ 0.69 | \$ 1.93 |
| Basic -<br>discontinued<br>operations | (0.06)    | 0.09    | (0.06)  | 0.06    |
| Total basic                           | \$ (0.51) | \$ 0.81 | \$ 0.63 | \$ 1.99 |

|   |           |         |         |         |
|---|-----------|---------|---------|---------|
| Diluted -<br>continuing<br>operations   | \$ (0.45) | \$ 0.69 | \$ 0.67 | \$ 1.84 |
| Diluted -<br>discontinued<br>operations | (0.06)    | 0.08    | (0.06)  | 0.05    |
| Total diluted                           | \$ (0.51) | \$ 0.77 | \$ 0.61 | \$ 1.89 |

Weighted average number  
of shares:

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Basic   | 367,708 | 380,299 | 366,849 | 375,393 |
| Diluted | 367,708 | 401,262 | 378,508 | 396,043 |

See accompanying notes to consolidated statements of operations.

(a) Results of operations for the three months ended October 25, 1998 and October 31, 1999 are unaudited. Results of operations for both fiscal years presented have been audited.

(b) The Company's results of operations for the fourth fiscal quarter of 1999 include \$43 million of non-recurring operating expense items, consisting primarily of non-tax deductible in-process research and development (IPR&D) expense incurred in connection with two acquisitions: Obsidian, Inc., a developer of fixed-abrasive chemical mechanical polishing solutions for the semiconductor equipment industry; and Applied Komatsu Technology, Inc. (AKT), previously 50 percent owned by Applied Materials, a supplier of fabrication systems used to produce Flat Panel Displays (FPDs). The purchase of AKT reflects a change in Applied Materials' decision in the fourth fiscal quarter of 1998 to discontinue the operations of AKT. Significant improvements in overall business conditions and an increase in demand for FPD equipment in Taiwan and Korea contributed to the decision to purchase AKT. As a result of the AKT acquisition, the Company reversed its accruals for discontinuing the operations of AKT, resulting in income from discontinued operations of \$33 million in its fourth fiscal quarter of 1999, and reclassified certain prior quarter and prior year amounts. These reclassifications had no effect on net income for these prior periods. Additionally, in the fourth fiscal quarter of 1999, AKT reversed certain unused restructuring reserves that were established in the fourth fiscal

quarter of 1998, which resulted in \$4 million of income for Applied Materials. Net income for the fourth fiscal quarter of 1999 also includes pre-tax non-operating income of \$10 million associated with a cash payment received from ASM International, N.V., related to a previous patent litigation settlement. For the quarter, the Company's effective income tax rate was 34 percent as a result of the non-tax deductible IPR&D expense discussed above. The Company expects its ongoing effective income tax rate to be 31 percent.

APPLIED MATERIALS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS

| (In thousands)                                | Oct. 25,<br>1998 | Oct. 31,<br>1999 |
|---|------------------|------------------|
| <b>ASSETS</b>                                 |                  |                  |
| Current assets:                               |                  |                  |
| Cash and cash equivalents                     | \$ 575,205       | \$ 823,272       |
| Short-term investments                        | 1,188,351        | 1,937,179        |
| Accounts receivable, net                      | 764,472          | 1,198,069        |
| Inventories                                   | 555,881          | 632,717          |
| Deferred income taxes                         | 337,906          | 324,024          |
| Other current assets                          | 97,140           | 145,200          |
|   | -----            | -----            |
| Total current assets                          | 3,518,955        | 5,060,461        |
| Property, plant and equipment, net            | 1,261,520        | 1,227,737        |
| Other assets                                  | 149,217          | 418,306          |
|   | -----            | -----            |
| Total assets                                  | \$ 4,929,692     | \$ 6,706,504     |
|   | -----            | -----            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                  |                  |
| Current liabilities:                          |                  |                  |
| Notes payable                                 | \$ 644           | \$ 5,789         |
| Current portion of long-term debt             | 7,367            | 36,484           |
| Accounts payable and accrued expenses         | 1,041,341        | 1,388,806        |
| Income taxes payable                          | 68,974           | 238,314          |
|   | -----            | -----            |
| Total current liabilities                     | 1,118,326        | 1,669,393        |
| Long-term debt                                | 616,572          | 584,357          |
| Deferred income taxes and other liabilities   | 74,173           | 116,152          |
|   | -----            | -----            |
| Total liabilities                             | 1,809,071        | 2,369,902        |
|   | -----            | -----            |
| Stockholders' equity:                         |                  |                  |
| Common stock                                  | 3,679            | 3,827            |
| Additional paid-in capital                    | 792,145          | 1,257,512        |
| Retained earnings                             | 2,328,940        | 3,075,589        |
| Accumulated other comprehensive income/(loss) | (4,143)          | (326)            |
|   | -----            | -----            |
| Total stockholders' equity                    | 3,120,621        | 4,336,602        |
|   | -----            | -----            |
| Total liabilities and stockholders' equity    | \$ 4,929,692     | \$ 6,706,504     |

