



## Applied Materials Announces Record Results for Second Fiscal Quarter 2000; Record New Orders, Net Sales and Net Income

May 10, 2000

SANTA CLARA, Calif.--(BUSINESS WIRE)--May 10, 2000--Applied Materials, Inc., the world's largest supplier of wafer fabrication solutions to the semiconductor industry, reported record results for its second fiscal quarter ended April 30, 2000. Record net income, excluding one-time items and the acquisition of Etec Systems, Inc. (Etec), for the second fiscal quarter of 2000 was \$454 million, or \$0.55 per diluted share, up from \$328 million, or \$0.40 per diluted share, for the first fiscal quarter of 2000, and up significantly from \$140 million, or \$0.18 per diluted share, for the second fiscal quarter of 1999.

Record net sales were \$2.19 billion, up 27 percent from \$1.72 billion for the first fiscal quarter of 2000, and up 87 percent from \$1.17 billion for the second fiscal quarter of 1999. Record ongoing net income (net income, excluding one-time items) for the second fiscal quarter of 2000 was \$459 million, or \$0.53 per diluted share, up from \$327 million, or \$0.39 per diluted share, for the first fiscal quarter of 2000, and up significantly from \$142 million, or \$0.17 per diluted share, for the second fiscal quarter of 1999. Reported results for all periods presented reflect the acquisition of Etec, which was completed during the quarter and accounted for as a pooling-of-interests.

Record new orders of \$2.93 billion for the second fiscal quarter of 2000 increased 19 percent from \$2.45 billion for the first fiscal quarter of 2000, and increased 101 percent from \$1.46 billion for the second fiscal quarter of 1999. Regional distribution of new orders for the second fiscal quarter of 2000 was: Taiwan 25 percent, North America 25 percent, Japan 15 percent, Europe 14 percent, Southeast Asia and China 11 percent and Korea 10 percent. Record backlog at the end of the second fiscal quarter of 2000 was \$3.18 billion, compared to \$2.46 billion at the end of the first fiscal quarter of 2000.

Gross margin for the second fiscal quarter of 2000 was 50.1 percent, up from 49.8 percent for the first fiscal quarter of 2000, and up from 46.3 percent for the second fiscal quarter of 1999. Record ongoing net income as a percentage of net sales was 21.0 percent for the second fiscal quarter of 2000, compared to 19.0 percent for the first fiscal quarter of 2000 and 12.1 percent for the second fiscal quarter of 1999.

"We are very pleased to report another record quarter resulting from increased customer demand and improved operating leverage. Global semiconductor use continues to expand, driven by communications, server-related and consumer products," said James C. Morgan, chairman and chief executive officer.

Feature-rich, digital telecommunications and consumer applications for semiconductors are growing faster than expected. This demand for advanced devices has resulted in increased capital spending by semiconductor manufacturers. Applied Materials' new orders for the second fiscal quarter of 2000 reflect customers' increased investments in advanced manufacturing capacity and next-generation technologies for new copper and low-k dielectric applications.

"We are in a major industry upturn and expect strong demand to continue for semiconductor devices that enable Internet-related, telecommunications and consumer products. Applied Materials, with its industry-leading solutions and unmatched global support infrastructure, is well-positioned to capitalize on this opportunity," concluded Morgan.

This press release contains certain forward-looking statements, including, but not limited to, those relating to capital spending by customers, semiconductor demand, product applications and customer migration to advanced technologies. These forward-looking statements 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: changes in customer capacity requirements and demand for semiconductors; the ability of the Company to maintain its technology and market share leadership; the successful and timely development of new markets, products, processes and services; the successful integration and growth of acquired businesses; the ability of the Company to satisfy manufacturing demands, based in part on the availability of critical components; the ability of the Company to continue to improve productivity and operating performance; changes in global economic conditions; and those risks and uncertainties described in the Company's filings with the Securities and Exchange Commission. The Company assumes no obligation to update the information in this press release.

Applied Materials, Inc., a Fortune 500 global growth company, is the world's largest supplier of wafer fabrication solutions to the semiconductor industry. Applied Materials is traded on the Nasdaq National Market under the symbol, "AMAT". Applied Materials' website is <http://www.appliedmaterials.com>. -0-

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APPLIED MATERIALS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

Three Months Ended                      Six Months Ended

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(In thousands, except per share amounts)	May 2, 1999	April 30, 2000	May 2, 1999	April 30, 2000
Net sales	\$1,170,662	\$2,190,031	\$1,992,037	\$3,912,221
Cost of products sold(a)	628,373	1,092,433	1,088,948	1,957,302
Gross margin	542,289	1,097,598	903,089	1,954,919
Operating expenses:				
Research, development and engineering	179,856	253,283	338,195	476,563
Marketing and selling	81,135	111,580	156,036	212,292
General and administrative(a)	86,000	118,890	152,416	210,707
Non-recurring items(a)	--	40,000	5,000	40,000
Income from operations	195,298	573,845	251,442	1,015,357
Non-recurring income(a)	--	68,158	20,000	68,158
Interest expense	11,753	13,259	23,376	25,489
Interest income	24,264	41,072	50,704	78,992
Income before taxes and equity in net income/(loss) of joint venture	207,809	669,816	298,770	1,137,018
Provision for income taxes	64,497	200,945	93,124	341,044
Income before equity in net income/(loss) of joint venture	143,312	468,871	205,646	795,974
Equity in net income/(loss) of joint venture	(1,182)	--	2,275	--
Income from continuing operations	142,130	468,871	207,921	795,974
Provision for discontinuance of joint venture	1,182	--	(2,275)	--
Net income	\$ 143,312	\$ 468,871	\$ 205,646	\$ 795,974
Earnings per share:				
Basic - continuing operations	\$ 0.18	\$ 0.58	\$ 0.27	\$ 0.99
Basic - discontinued operations	--	--	--	--
Total basic	\$ 0.18	\$ 0.58	\$ 0.27	\$ 0.99

Diluted -

continuing operations	\$	0.17	\$	0.54	\$	0.25	\$	0.93
Diluted - discontinued operations		--		--		--		--
Total diluted	\$	0.17	\$	0.54	\$	0.25	\$	0.93

Weighted average  
number of shares:

Basic	776,130	805,142	772,606	801,940
Diluted	819,832	861,200	813,068	856,666

Historical amounts have been restated to reflect the acquisition of Etec, which was completed on March 29, 2000, and a two-for-one stock split in the form of a 100 percent stock dividend, effective March 15, 2000.

(a) The Company's results of operations for the second fiscal quarter of 2000 include: 1) a pre-tax charge of \$14 million (consisting of \$6.5 million in cost of products sold and \$7.5 million in general and administrative expenses) to conform Etec's accounting policies to those of the Company; 2) \$40 million of pre-tax, non-recurring operating expenses incurred in connection with the acquisition of Etec; and 3) \$68 million of pre-tax, non-operating income related to a previous litigation settlement with ASM International, B.V.

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

(In thousands)	October 31, 1999	April 30, 2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 868,121	\$ 1,186,813
Short-term investments	1,951,254	2,187,115
Accounts receivable, net	1,268,146	1,650,661
Inventories	727,107	979,751
Deferred income taxes	341,668	331,266
Other current assets	154,424	153,486
Total current assets	5,310,720	6,489,092
Property, plant and equipment, net	1,278,269	1,241,786
Other assets	425,521	398,956
Total assets	\$ 7,014,510	\$ 8,129,834
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 5,789	\$ 26
Current portion of long-term debt	36,484	42,055
Accounts payable and accrued expenses	1,442,718	1,633,690
Income taxes payable	246,506	249,390

Total current liabilities	1,731,497	1,925,161
Long-term debt	584,357	575,847
Deferred income taxes and other liabilities	123,398	135,806
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Total liabilities	2,439,252	2,636,814
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Stockholders' equity:		
Common stock	7,932	8,076
Additional paid-in capital	1,443,723	1,572,793
Retained earnings	3,122,337	3,917,603
Accumulated other comprehensive income/(loss)	1,266	(5,452)
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Total stockholders' equity	4,575,258	5,493,020
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Total liabilities and stockholders' equity	\$ 7,014,510	\$ 8,129,834
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Historical amounts have been restated to reflect the acquisition of Etec, which was completed on March 29, 2000, and a two-for-one stock split in the form of a 100 percent stock dividend, effective March 15, 2000.

(b) Amounts as of April 30, 2000 are unaudited. Amounts as of October 31, 1999 are audited. \*T

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