



Applied Materials Announces Results for Third Fiscal Quarter 2001; New Orders of \$1.21 Billion; Net Sales of \$1.33 Billion

August 14, 2001

SANTA CLARA, Calif., Aug 14, 2001 (BUSINESS WIRE) -- Applied Materials, Inc., the world's largest supplier of wafer fabrication solutions to the semiconductor industry, reported results for its third fiscal quarter ended July 29, 2001. Net sales were \$1.33 billion, down 30 percent from \$1.91 billion for the second fiscal quarter of 2001, and down 51 percent from \$2.73 billion for the third fiscal quarter of 2000. Ongoing net income (net income, excluding one-time items) for the third fiscal quarter of 2001 was \$41 million, or \$0.05 per diluted share, down 85 percent from \$269 million, or \$0.32 per diluted share, for the second fiscal quarter of 2001, and down 93 percent from \$604 million, or \$0.70 per diluted share, for the third fiscal quarter of 2000. Reported net income for the third fiscal quarter of 2001 was \$29 million, or \$0.03 per diluted share, down 87 percent from \$227 million, or \$0.27 per diluted share, for the second fiscal quarter of 2001, and down 95 percent from \$604 million, or \$0.70 per diluted share, for the third fiscal quarter of 2000.

New orders were \$1.21 billion for the third fiscal quarter of 2001, decreasing 11 percent from \$1.35 billion for the second fiscal quarter of 2001, and decreasing 63 percent from \$3.28 billion for the third fiscal quarter of 2000. Regional distribution of new orders for the third fiscal quarter of 2001 was: North America 44 percent, Japan 19 percent, Taiwan 15 percent, Europe 14 percent, Southeast Asia and China 5 percent and Korea 3 percent. Backlog at the end of the third fiscal quarter of 2001 decreased to \$2.65 billion, from \$3.05 billion at the end of the second fiscal quarter of 2001.

"The industry-wide decline in demand for most semiconductor chips continued to place downward pressure on new equipment orders during our quarter," said James C. Morgan, chairman and chief executive officer. "The semiconductor industry is experiencing near-historic lows in factory utilization, resulting in further cutbacks in capital spending. Despite reduced spending levels, customers continue to invest in our advanced solutions for copper, nanometer-sized geometries and 300mm wafer processing. Our leadership in these advanced technologies places Applied Materials in a strategic position when our customers move into volume production."

Orders for ion implant, process diagnostics and control and chemical vapor deposition products were sequentially higher than the prior quarter. "Success in these and other products are a strong indicator that our continued investment in product development will provide significant future benefit," continued Morgan.

Gross margin for the third fiscal quarter of 2001 was 40.0 percent, down from 44.8 percent for the second fiscal quarter of 2001, and down from 50.9 percent for the third fiscal quarter of 2000. Operating income as a percentage of net sales, excluding one-time items, was 1.2 percent for the third fiscal quarter of 2001, compared to 17.4 percent for the second fiscal quarter of 2001 and 30.2 percent for the third fiscal quarter of 2000. Ongoing net income as a percentage of net sales was 3.1 percent for the third fiscal quarter of 2001, compared to 14.1 percent for the second fiscal quarter of 2001 and 22.1 percent for the third fiscal quarter of 2000.

"Despite the current weakness in the market, we believe the long-term outlook for the semiconductor industry remains strong. We will continue to reduce costs in this difficult environment as well as prepare the Company for the eventual upturn in business and implement critical new technologies for our customers," concluded Morgan.

This press release contains certain forward-looking statements, including, but not limited to, those relating to the semiconductor industry's long-term outlook and the Company's strategic position in an upturn. 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: the Company's ability to timely align its cost structure with market conditions; the length and severity of the current economic downturn; changes in customer capacity requirements and demand for semiconductors; changes in the timing and amount of capital equipment purchases by customers; the successful and timely development of new markets, products, processes and services; and other risks described in Applied Materials' filings with the Securities and Exchange Commission. The Company assumes no obligation to update the information in this press release.

Applied Materials will be discussing its third fiscal quarter results, along with its outlook for the fourth fiscal quarter of 2001, on a conference call today beginning at 1:30 p.m. PST. A webcast of the conference call will be available on Applied Materials' Web site under the "Investors" section.

Applied Materials (Nasdaq: AMAT), the largest supplier of products and services to the global semiconductor industry, is one of the world's leading information infrastructure providers. Applied Materials enables Information for Everyone(TM) by helping semiconductor manufacturers produce more powerful, portable and affordable chips. Applied Materials' Web site is <http://www.appliedmaterials.com>.

APPLIED MATERIALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
Three Months Ended Nine Months Ended

| (In thousands, except per share amounts) | July 30, 2000 | July 29, 2001 | July 30, 2000 | July 29, 2001 |
|---|------------------|------------------|------------------|------------------|
| Net sales | \$2,732,028 | \$1,333,871 | \$6,644,249 | \$5,974,438 |
| Cost of products sold | 1,340,126 | 800,839 | 3,297,428 | 3,253,783 |
| Gross margin | 1,391,902 | 533,032 | 3,346,821 | 2,720,655 |
| Operating expenses: | | | | |
| Research, development and engineering | 303,946 | 277,333 | 780,509 | 926,251 |
| Marketing and selling | 128,426 | 125,979 | 340,718 | 389,188 |
| General and administrative | 133,291 | 114,369 | 343,998 | 306,481 |
| Non-recurring items(1) | -- | 14,150 | 40,000 | 72,564 |
| Income from operations | 826,239 | 1,201 | 1,841,596 | 1,026,171 |
| Non-recurring income | -- | -- | 68,158 | -- |
| Interest expense | 12,665 | 10,709 | 38,154 | 34,981 |
| Interest income | 48,970 | 54,153 | 127,962 | 166,699 |
| Income before income taxes | 862,544 | 44,645 | 1,999,562 | 1,157,889 |
| Provision for income taxes | 258,763 | 16,120 | 599,807 | 344,527 |
| Net income | \$ 603,781 | \$ 28,525 | \$1,399,755 | \$ 813,362 |
| Earnings per share: | | | | |
| Basic | \$ 0.75 | \$ 0.04 | \$ 1.74 | \$ 1.00 |
| Diluted | \$ 0.70 | \$ 0.03 | \$ 1.63 | \$ 0.96 |
| Weighted average number of shares: | | | | |
| Basic | 809,345 | 814,920 | 804,532 | 812,219 |
| Diluted | 862,071 | 853,905 | 858,585 | 848,793 |

(1) The Company's reported results of operations for the third fiscal quarter of 2001 included a non-tax deductible charge of \$10 million for acquired in-process research and development associated with the acquisition of Oramir Semiconductor Equipment Ltd., and a pre-tax restructuring charge of \$4 million associated with severance and benefits costs. These non-recurring charges amounted to \$0.02 per diluted share after tax for the third fiscal quarter of 2001.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS(2)

| (In thousands) | October 29, 2000 | July 29, 2001 |
|------------------------------------|---------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,647,604 | \$ 1,365,036 |
| Short-term investments | 2,580,435 | 3,315,886 |
| Accounts receivable, net | 2,351,379 | 1,315,800 |
| Inventories | 1,503,751 | 1,453,996 |
| Deferred income taxes | 549,108 | 545,598 |
| Other current assets | 206,870 | 244,711 |
| Total current assets | 8,839,147 | 8,241,027 |
| Property, plant and equipment, net | 1,366,782 | 1,653,001 |
| Other assets | 339,801 | 339,258 |
| Total assets | \$10,545,730 | \$10,233,286 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Notes payable | \$ 94,676 | \$ 99,993 |
| Current portion of long-term debt | 11,621 | 4,652 |
| Accounts payable and accrued expenses | 2,268,608 | 1,502,940 |
| Income taxes payable | 384,806 | 138,689 |
| | ----- | ----- |
| Total current liabilities | 2,759,711 | 1,746,274 |
| Long-term debt | 573,126 | 565,893 |
| Deferred income taxes and other liabilities | 108,545 | 126,505 |
| | ----- | ----- |
| Total liabilities | 3,441,382 | 2,438,672 |
| | ----- | ----- |
| Stockholders' equity: | | |
| Common stock | 8,125 | 8,163 |
| Additional paid-in capital | 1,930,212 | 1,827,316 |
| Retained earnings | 5,185,181 | 5,998,543 |
| Accumulated other comprehensive income/(loss) | (19,170) | (39,408) |
| | ----- | ----- |
| Total stockholders' equity | 7,104,348 | 7,794,614 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$10,545,730 | \$10,233,286 |

(2) Amounts as of July 29, 2001 are unaudited. Amounts as of October 29, 2000 are from the October 29, 2000 audited financial statements.

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