



Applied Materials Announces Results for Fourth Fiscal Quarter 2003; New Orders Increase to \$1.28 Billion; Net Sales Increase to \$1.22 Billion

November 12, 2003

SANTA CLARA, Calif.--(BUSINESS WIRE)--Nov. 12, 2003--Applied Materials, Inc. (Nasdaq:AMAT), the world's largest supplier of wafer fabrication solutions to the semiconductor industry, reported results for its fourth fiscal quarter ended October 26, 2003. Net sales were \$1.22 billion, up 12 percent from \$1.09 billion for the third fiscal quarter of 2003, and down 16 percent from \$1.45 billion for the fourth fiscal quarter of 2002. Gross margin for the fourth fiscal quarter of 2003 was 40.5 percent, up from 31.7 percent for the third fiscal quarter of 2003 and down from 41.7 percent for the fourth fiscal quarter of 2002. Net income for the fourth fiscal quarter of 2003 was \$15 million, or \$0.01 per share, compared to a loss of \$37 million, or \$0.02 per share, for the third fiscal quarter of 2003, and down from net income of \$147 million, or \$0.09 per share, for the fourth fiscal quarter of 2002.

The company reported a pre-tax realignment charge of \$114 million, or \$0.05 per share after tax for the fourth fiscal quarter of 2003. Realignment activities consisted primarily of consolidation of facilities and employee-related costs. Excluding the charges associated with realignment activities, the company would have reported ongoing net income of \$95 million, or \$0.06 per share, for the fourth fiscal quarter of 2003, an increase from \$78 million, or \$0.05 per share, for the third fiscal quarter of 2003. Ongoing gross margin of 40.5 percent for the fourth fiscal quarter of 2003 was the same as reported gross margin, compared to 40.2 percent ongoing gross margin for the third fiscal quarter of 2003.

New orders of \$1.28 billion for the fourth fiscal quarter of 2003 increased 21 percent from \$1.05 billion for the third fiscal quarter of 2003, and decreased 18 percent from \$1.56 billion for the fourth fiscal quarter of 2002. Regional distribution of new orders for the fourth fiscal quarter of 2003 was: Japan 25 percent, North America 19 percent, Southeast Asia and China 17 percent, Taiwan 15 percent, Europe 13 percent, and Korea 11 percent. Backlog at the end of the fourth fiscal quarter of 2003 was \$2.50 billion, compared to \$2.53 billion at the end of the third fiscal quarter of 2003.

"We are pleased with the improvement in both revenue and orders this quarter," said Mike Splinter, president and chief executive officer of Applied Materials. "Our revenue and order momentum reflects customers' confidence in business conditions, their increased capacity investments for 300mm volume manufacturing and our leadership in advanced products. These operating results also demonstrate the impact of Applied Materials' realignment activities on our profitability."

The company also announced results for its fiscal year ended October 26, 2003. Fiscal 2003 new orders were \$4.32 billion, a 30 percent decrease from fiscal 2002 new orders of \$6.14 billion. Net sales for fiscal 2003 were \$4.48 billion, a 12 percent decrease from fiscal 2002 net sales of \$5.06 billion. The net loss for fiscal 2003 was \$149 million, or \$0.09 loss per share, down from \$269 million net income, or \$0.16 earnings per share, for fiscal 2002. Ongoing net income for fiscal 2003 was \$223 million or \$0.13 earnings per share, down from \$337 million or \$0.20 earnings per share, for fiscal 2002.

During this fiscal year, the company continued its market leadership position in copper, low k and CMP technologies, which are of strategic importance to customers as they move to the next generation of chip manufacturing. Applied Materials' Producer Black Diamond CVD system helped launch a new era in chip making, becoming the first low k solution used in production by multiple chipmakers for fabricating faster, lower power chips. New systems for copper electroplating, dielectric etch, CMP and defect inspection were also introduced, providing breakthrough technology to customers for new chip development. In addition, Applied Global Services, with its worldwide support infrastructure, was recognized by customers for contributing to fab efficiencies. In the dynamic flat panel display market, Applied Materials' market-leading AKT CVD equipment business increased its product portfolio to help customers build ever-larger glass substrates.

"We believe that we are in the early stages of an industry uptrend. Stronger end-user demand for devices such as wireless PCs and communications products is driving the semiconductor manufacturers' need for Applied Materials' industry-leading copper, low k, and 300mm solutions. Our increased customer focus, technology and market leadership strategically position Applied Materials for growth," concluded Splinter.

Reconciliations of reported results of operations under U.S. Generally Accepted Accounting Principles (GAAP) to the pro forma amounts have been included as a supplement to this press release. Due to the amount of charges incurred with realignment activities, Applied Materials believes that reconciliation to ongoing operations facilitates meaningful comparison with prior periods. To supplement the consolidated condensed financial statements prepared under GAAP, the company uses a pro forma measure of net income that is GAAP net income, adjusted to exclude costs associated with realignment activities. The company believes that pro forma net income reports baseline performance before charges associated with realignment activities. In addition, pro forma net income is the primary indicator management uses to plan and forecast future periods. These measures are neither in accordance with, nor an alternative for, GAAP, and may be materially different from pro forma methods of accounting and reporting used by other companies. The presentation of this additional information should not be considered as a substitute for net income prepared in accordance with GAAP.

This press release contains forward-looking statements, including, but not limited to, those relating to the impact of realignment activities, the company's strategic position and growth opportunities, customers' investments in manufacturing capacity and new technology, and the semiconductor industry's positive trend and outlook. These forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. Forward-looking statements may contain words such as "expects," "anticipates," "believes," "may," "should," "will," "estimates," "forecasts," or similar expressions, and include the assumptions that underlie such statements. 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 sustainability of the uptrend in the semiconductor industry, which is subject to many

factors, including global economic conditions, business spending, consumer confidence, demand for electronic products and semiconductors, and geopolitical uncertainties; customers' capacity requirements, including capacity utilizing the latest technology; the timing, rate, amount and sustainability of increases in capital spending for new technology, such as 300mm and 90nm and below applications; the company's ability to develop, deliver and support a broad range of products and services on a timely basis; the company's successful and timely development of new markets, products, processes and services; the company's ability to timely satisfy manufacturing demands; the company's ability to complete implementation of realignment activities according to the timetable and to the extent anticipated; the impact of the realignment activities on the company's operations, net sales and profitability; the company's ability to maintain effective cost controls and timely align its cost structure with market conditions; changes in management; and other risks described in Applied Materials' Forms 10-K, 10-Q and other 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 fourth fiscal quarter results, along with its outlook for the first fiscal quarter of 2004, on a conference call today beginning at 1:30 p.m. Pacific Time. A webcast of the conference call will be available on Applied Materials' web site under the "Investors" section.

Applied Materials offers its shareholders who have email accounts the opportunity to receive future annual reports and proxy statements electronically. On-line access improves the speed at which you can receive shareholder information and vote, while reducing company expenses. To select this option, visit www.appliedmaterials.com.

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 CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended		Fiscal Year Ended	
(In thousands, except per share amounts)	Oct. 27, 2002	Oct. 26, 2003	Oct. 27, 2002	Oct. 26, 2003
	(UNAUDITED)		(AUDITED)	
Net sales	\$1,445,698	\$1,220,998	\$5,062,312	\$4,477,291
Cost of products sold	843,372	726,627	3,005,651	2,872,836
Gross margin	602,326	494,371	2,056,661	1,604,455
Operating expenses:				
Research, development and engineering	272,639	227,950	1,052,269	920,618
Marketing and selling	107,580	71,283	385,693	325,189
General and administrative	87,251	77,370	323,262	300,676
Restructuring, asset impairments and other charges	--	113,504	85,479	371,754
Income/(loss) from operations	134,856	4,264	209,958	(313,782)
Interest expense	13,189	11,690	49,357	46,875
Interest income	46,131	29,342	179,910	149,101
Income/(loss) before income taxes	167,798	21,916	340,511	(211,556)
Provision/(benefit) for income taxes	20,556	6,465	71,507	(62,409)
Net income/(loss)	\$ 147,242	\$ 15,451	\$ 269,004	\$ (149,147)
Earnings/(loss) per share:				
Basic	\$ 0.09	\$ 0.01	\$ 0.16	\$ (0.09)
Diluted	\$ 0.09	\$ 0.01	\$ 0.16	\$ (0.09)

Weighted average				
number of shares:				
Basic	1,647,380	1,671,926	1,643,612	1,659,557
Diluted	1,684,314	1,715,763	1,701,557	1,659,557

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS(1)
(AUDITED)

(In thousands)	Oct. 27, 2002	Oct. 26, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,284,791	\$ 1,364,857
Short-term investments	3,644,735	4,128,349
Accounts receivable, net	1,046,016	912,875
Inventories	1,273,816	950,692
Deferred income taxes	565,936	782,823
Other current assets	257,499	231,177
Total current assets	8,072,793	8,370,773
Property, plant and equipment	3,223,133	3,094,427
Less: accumulated depreciation and amortization	(1,458,196)	(1,534,597)
Net property, plant and equipment	1,764,937	1,559,830
Goodwill, net	202,290	223,521
Purchased technology and other intangible assets, net	129,130	92,512
Other assets	55,615	64,986
Total assets	\$10,224,765	\$10,311,622
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 40,323	\$ --
Current portion of long-term debt	9,453	105,292
Accounts payable and accrued expenses	1,348,156	1,319,471
Income taxes payable	103,524	216,114
Total current liabilities	1,501,456	1,640,877
Long-term debt	573,853	456,422
Deferred income taxes and other liabilities	129,807	146,289
Total liabilities	2,205,116	2,243,588
Stockholders' equity:		
Common stock	16,480	16,774
Additional paid-in capital	2,022,546	2,223,553
Less: deferred stock compensation, net	--	(1,543)
Retained earnings	5,962,014	5,812,867
Accumulated other comprehensive income	18,609	16,383
Total stockholders' equity	8,019,649	8,068,034

Total liabilities and stockholders' equity	\$10,224,765	\$10,311,622
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(1) Certain reclassifications have been made to 2002 amounts to conform to the 2003 presentation.

APPLIED MATERIALS, INC.
SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
ONGOING BASIS
(UNAUDITED)

Three Months Ended

(In thousands, except per share amounts)	July 27, 2003		
	Reported(1)	Special Items(2)	Ongoing Results
Net sales	\$1,094,907	\$ --	\$1,094,907
Cost of products sold	747,979	(93,404) (a)	654,575
Gross margin	346,928	93,404	440,332
Operating expenses:			
Research, development and engineering	217,025	(3,916) (b)	213,109
Marketing and selling	78,121	--	78,121
General and administrative	72,307	--	72,307
Restructuring, asset impairments and other charges	66,181	(66,181) (c)	--
Income/(loss) from operations	(86,706)	163,501	76,795
Interest expense	11,626	--	11,626
Interest income	46,131	--	46,131
Income/(loss) before income taxes	(52,201)	163,501	111,300
Provision/(benefit) for income taxes	(15,399)	48,233 (d)	32,834
Net income/(loss)	\$ (36,802)	\$ 115,268	\$ 78,466
Earnings/(loss) per share:			
Basic	\$ (0.02)	\$ 0.07	\$ 0.05
Diluted	\$ (0.02)	\$ 0.07	\$ 0.05
Weighted average number of shares:			
Basic	1,659,365	1,659,365	1,659,365
Diluted	1,659,365	1,692,207	1,692,207

(1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

(2) Special items for the third fiscal quarter of 2003 consisted of the following:

- a) Charges to cost of products sold for inventory write-offs as a result of the implementation of the global spares distribution system and refocused product efforts, which included the Ettec mask pattern products.
- b) Charges to research, development and engineering expense for laboratory tool write-offs resulting from refocused product efforts associated with realignment activities.
- c) Restructuring, asset impairments and other charges resulting from employee-related costs, the consolidation of facilities and impairment of certain assets associated with realignment activities.
- d) Pro forma tax provision for the tax effect of special items.

APPLIED MATERIALS, INC.
 SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
 ONGOING BASIS
 (UNAUDITED)

Three Months Ended

October 26, 2003

(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$1,220,998	\$ --	\$1,220,998
Cost of products sold	726,627	--	726,627
Gross margin	494,371	--	494,371
Operating expenses:			
Research, development and engineering	227,950	--	227,950
Marketing and selling	71,283	--	71,283
General and administrative	77,370	--	77,370
Restructuring, asset impairments and other charges	113,504	(113,504) (e)	--
Income/(loss) from operations	4,264	113,504	117,768
Interest expense	11,690	--	11,690
Interest income	29,342	--	29,342
Income/(loss) before income taxes	21,916	113,504	135,420
Provision/(benefit) for income taxes	6,465	33,484 (f)	39,949
Net income/(loss)	\$ 15,451	\$ 80,020	\$ 95,471
Earnings/(loss) per share:			
Basic	\$ 0.01	\$ 0.05	\$ 0.06
Diluted	\$ 0.01	\$ 0.05	\$ 0.06

Weighted average number of

shares:			
Basic	1,671,926	1,671,926	1,671,926
Diluted	1,715,763	1,715,763	1,715,763

- (1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- (3) Special items for the fourth fiscal quarter of 2003 consisted of the following:
- e) Restructuring, asset impairments and other charges resulting from employee-related costs, the consolidation of facilities and impairment of certain assets associated with realignment activities.
 - f) Pro forma tax provision for the tax effect of special items.

APPLIED MATERIALS, INC.
SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
ONGOING BASIS
(UNAUDITED)

Three Months Ended

(In thousands, except per share amounts)	October 27, 2002		
	Reported(1)	Special Items(2)	Ongoing Results
Net sales	\$1,445,698	\$ --	\$1,445,698
Cost of products sold	843,372	--	843,372
Gross margin	602,326	--	602,326
Operating expenses:			
Research, development and engineering	272,639	--	272,639
Marketing and selling	107,580	--	107,580
General and administrative	87,251	--	87,251
Restructuring, asset impairments and other charges	--	--	--
Income from operations	134,856	--	134,856
Interest expense	13,189	--	13,189
Interest income	46,131	--	46,131
Income before income taxes	167,798	--	167,798
Provision for income taxes	20,556	--	20,556
Net income	\$ 147,242	\$ --	\$ 147,242
Earnings per share:			
Basic	\$ 0.09	\$ --	\$ 0.09
Diluted	\$ 0.09	\$ --	\$ 0.09
Weighted average number of shares:			
Basic	1,647,380	1,647,380	1,647,380
Diluted	1,684,314	1,684,314	1,684,314

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- (1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- (2) There were no special item adjustments to reported results of operations for the fourth fiscal quarter of 2002. Therefore, ongoing results are the same as reported results of operations.

APPLIED MATERIALS, INC.
 SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
 ONGOING BASIS
 (UNAUDITED)

Three Months Ended			
October 26, 2003			
(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$1,220,998	\$ --	\$1,220,998
Cost of products sold	726,627	--	726,627
Gross margin	494,371	--	494,371
Operating expenses:			
Research, development and engineering	227,950	--	227,950
Marketing and selling	71,283	--	71,283
General and administrative	77,370	--	77,370
Restructuring, asset impairments and other charges	113,504	(113,504) (a)	--
Income from operations	4,264	113,504	117,768
Interest expense	11,690	--	11,690
Interest income	29,342	--	29,342
Income before income taxes	21,916	113,504	135,420
Provision for income taxes	6,465	33,484 (b)	39,949
Net income	\$ 15,451	\$ 80,020	\$ 95,471
Earnings per share:			
Basic	\$ 0.01	\$ 0.05	\$ 0.06
Diluted	\$ 0.01	\$ 0.05	\$ 0.06
Weighted average number of shares:			
Basic	1,671,926	1,671,926	1,671,926
Diluted	1,715,763	1,715,763	1,715,763

- (1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- (3) Special items for the fourth fiscal quarter of 2003 consisted of the following:
- a) Restructuring, asset impairments and other charges resulting from employee-related costs, the consolidation of facilities

and impairment of certain assets associated with realignment activities.

b) Pro forma tax provision for the tax effect of special items.

APPLIED MATERIALS, INC.
 SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
 ONGOING BASIS
 (UNAUDITED, EXCEPT FULL YEAR REPORTED AMOUNTS)

Fiscal Year Ended			

October 27, 2002			
(In thousands, except per share amounts)	Reported(1)	Special Items(2)	Ongoing Results

Net sales	\$5,062,312	\$ --	\$5,062,312
Cost of products sold	3,005,651	--	3,005,651
	-----	-----	-----
Gross margin	2,056,661	--	2,056,661
Operating expenses:			
Research, development and engineering	1,052,269	--	1,052,269
Marketing and selling	385,693	--	385,693
General and administrative	323,262	--	323,262
Restructuring, asset impairments and other charges	85,479	(85,479) (a)	--
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Income/(loss) from operations	209,958	85,479	295,437
Interest expense	49,357	--	49,357
Interest income	179,910	--	179,910
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Income/(loss) before income taxes	340,511	85,479	425,990
Provision/(benefit) for income taxes	71,507	17,951 (b)	89,458
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Net income/(loss)	\$ 269,004	\$ 67,528	\$ 336,532
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Earnings/(loss) per share:			
Basic	\$ 0.16	\$ 0.04	\$ 0.20
Diluted	\$ 0.16	\$ 0.04	\$ 0.20
Weighted average number of shares:			
Basic	1,643,612	1,643,612	1,643,612
Diluted	1,701,557	1,701,557	1,701,557

(1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

(2) Special items for the fiscal year ended October 27, 2002 consisted

of the following:

- a) Restructuring charges associated with employee-related costs, consolidation of facilities and other costs totaling approximately \$77 million, and in-process research and development expenses in connection with the acquisitions of Schlumberger's electron-beam wafer inspection business and Global Knowledge Services, Inc., totaling approximately \$8 million.
- b) Pro forma tax provision for the tax effect of special items.

APPLIED MATERIALS, INC.
 SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS --
 ONGOING BASIS
 (UNAUDITED, EXCEPT FULL YEAR REPORTED AMOUNTS)

Fiscal Year Ended			
October 26, 2003			
(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$4,477,291	\$ --	\$4,477,291
Cost of products sold	2,872,836	(142,404) (c)	2,730,432
Gross margin	1,604,455	142,404	1,746,859
Operating expenses:			
Research, development and engineering	920,618	(13,916) (d)	906,702
Marketing and selling	325,189	--	325,189
General and administrative	300,676	--	300,676
Restructuring, asset impairments and other charges	371,754	(371,754) (e)	--
Income/(loss) from operations	(313,782)	528,074	214,292
Interest expense	46,875	--	46,875
Interest income	149,101	--	149,101
Income/(loss) before income taxes	(211,556)	528,074	316,518
Provision/(benefit) for income taxes	(62,409)	155,782 (f)	93,373
Net income/(loss)	\$ (149,147)	\$ 372,292	\$ 223,145
Earnings/(loss) per share:			
Basic	\$ (0.09)	\$ 0.22	\$ 0.13
Diluted	\$ (0.09)	\$ 0.22	\$ 0.13
Weighted average number of shares:			
Basic	1,659,557	1,659,557	1,659,557
Diluted	1,659,557	1,691,644	1,691,644

- (1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- (3) Special items for the fiscal year ended October 26, 2003 consisted of the following:
 - c) Charges to cost of products sold for inventory write-offs as a result of the implementation of the global spares distribution system and refocused product efforts, which included the Etec mask pattern products.
 - d) Charges to research, development and engineering expense for laboratory tool write-offs resulting from refocused product efforts associated with realignment activities.
 - e) Restructuring, asset impairments and other charges resulting from employee-related costs, the consolidation of facilities and impairment of certain assets associated with realignment activities.
 - f) Pro forma tax provision for the tax effect of special items.

CONTACT: Applied Materials, Inc.

Paul Bowman, 408-563-1698 (investment community)

Jeff Lettes, 408-563-5161 (editorial/media)

SOURCE: Applied Materials, Inc.