



APPLIED MATERIALS ANNOUNCES RESULTS FOR THIRD FISCAL QUARTER 1997

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SANTA CLARA, Calif., August 12, 1997 -- Applied Materials, Inc., the world's largest supplier of wafer fabrication systems and services to the worldwide semiconductor industry, reported results for the third fiscal quarter ended July 27, 1997, with net sales of \$1.06 billion, an increase of 17.4 percent from \$900.9 million for the second fiscal quarter of 1997, and a decrease of 5.2 percent from \$1.12 billion for the third fiscal quarter of 1996. Net income for the third fiscal quarter of 1997 was \$186.6 million, or \$0.98 per share, up from \$102.1 million, or \$0.54 per share, in the second fiscal quarter of 1997, and up from \$169.1 million, or \$0.92 per share, in the third fiscal quarter of 1996.

Results of operations for the third fiscal quarter of 1997 include \$80.0 million of pre-tax income from a litigation settlement with Novellus Systems, Inc. and bad debt expense related to Thailand-based Submicron Technology PCL of \$16.3 million pre-tax. Excluding these items, net income for the third fiscal quarter of 1997 was \$145.2 million, or 13.7 percent of revenue and \$0.77 per share.

New orders of \$1.24 billion were booked during the third fiscal quarter of 1997, up 22.2 percent from \$1.01 billion in the second fiscal quarter of 1997, and up 33.1 percent from \$931.3 million in the third fiscal quarter of 1996. Backlog increased to \$1.65 billion at the end of the third fiscal quarter of 1997, from \$1.48 billion at the end of the second fiscal quarter of 1997.

Gross margin for the third fiscal quarter of 1997 increased to 47.2 percent, from 46.0 percent in the second fiscal quarter of 1997. The increase is primarily attributable to increased business volume and a continued focus on material cost reductions and production efficiencies.

Geographically, new orders for the third fiscal quarter of 1997 from customers located in North America were 41 percent of the Company's total orders, Europe 11 percent, Japan 18 percent, Korea 5 percent and Asia-Pacific 25 percent. "We are encouraged by the increase in new orders for advanced semiconductor manufacturing equipment," said James C. Morgan, chairman and chief executive officer. "Many of our customers have increased their strategic equipment investments for advanced logic and 64Mb and 256Mb DRAM capabilities. In addition, we have seen orders accelerating for leading-edge foundry capacity investment in the Asia-Pacific region," Morgan added.

Applied Materials invested heavily in product development during this past year in order to better position the Company to aggressively move forward as market conditions in the semiconductor industry improved. As a result of this investment, the Company has positioned itself to meet customers' requirements for the next generation of advanced, 0.25 micron and below technologies across the Company's broad product line.

"During the third quarter, the Company introduced numerous productivity and cost-of-ownership enhancements to its leading-edge CVD (chemical vapor deposition), Etch, CMP (chemical mechanical polishing) and RTP (rapid thermal processing) products. Customers are extremely enthusiastic about the performance of the Mirra CMP system and the Company's penetration in this market is progressing rapidly. The RTP Centura system, in only its first full year of production, was named by Dataquest as the leading RTP system in 1996.

"Applied Materials' leadership has been further demonstrated, most recently at the SEMICON/West trade show, with a broad range of technologies for 300mm wafer processing. We have already shipped 300mm Epi and RTP systems and currently have numerous other products in advanced stages of development. We continue our commitment to support both 200mm and 300mm product development with a plan announced in July to invest \$430 million in technology development facilities in Santa Clara. These new facilities will expand our customer demonstration laboratories, allowing us to increase our partnerships with customers and provide them with Total SolutionsTM for their most advanced devices," Morgan concluded.

This press release contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, but are not limited to: the Company's ability to support product development and meet its customers' requirements for next generation equipment; the Company's ability to transition products under development to production on a timely basis; and the Company's ability to adapt manufacturing capabilities and capacity to meet increased customer demand. 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>.

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