



## APPLIED MATERIALS ANNOUNCES RECORD REVENUES FOR SECOND QUARTER 1996

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Orders of \$1.3 Billion, Sales of \$1.1 Billion, Income of \$186 Million

SANTA CLARA, Calif., May 14, 1996 -- Applied Materials, Inc. reported record results for the second fiscal quarter ended April 28, 1996, with net sales of \$1.128 billion, up 67 percent from second quarter of fiscal 1995 net sales of \$675 million. Net income increased 98 percent to a record \$186 million, or \$1.01 per share, for the second fiscal quarter of 1996, from \$94 million, or \$0.54 per share, for the second fiscal quarter of 1995. New orders of \$1.323 billion were booked during the second fiscal quarter, up from \$927 million in the second fiscal quarter of 1995 and at about the same level as first fiscal quarter of 1996 at \$1.329 billion. Backlog rose to \$1.901 billion at the end of the second fiscal quarter of 1996, up from \$1.768 billion at the end of the first fiscal quarter of 1996.

"Each of the Company's mainstream products is positioned to address the rigorous wafer process requirements of advanced device geometries of 0.35-micron and smaller," said James C. Morgan, chairman and chief executive officer. "The Endura® PVD (physical vapor deposition) system continues to increase its market leading position while our Etch product line has gained significant momentum and is being qualified at a number of customer fabs for 0.35-micron production. The broad-based chemical vapor deposition (CVD) product line continues to gain customer acceptance by successfully transitioning to the Centura® platform targeting 0.35-micron geometries and below. The high-temperature systems--Epi Centura and Polycide Centura--are experiencing strengthening customer demand and our ion implant business has also gained in the critical low-energy segment of that market."

Applied Materials' net sales for the quarter reflected the growth in investment by Asian companies. North American sales comprised 32 percent of the Company's total sales; Europe 15 percent; Japan 23 percent; Korea 14 percent and Asia-Pacific 16 percent.

"With record sales, the Company achieved record net income of \$186 million, or 16.5 percent of net sales, in the second quarter of fiscal 1996, up from \$172 million, or 16.5 percent of net sales, in the first quarter of fiscal 1996. As a result of reduced cycle times and increased manufacturing efficiencies, gross margins for the second quarter improved to 48.0 percent from 47.7 percent in the first quarter of fiscal 1996 and compare favorably to gross margins of 45.2 percent in the second quarter of 1995," Morgan noted.

The strongest growth of the semiconductor business in 1996 continues to be in Asia, as demonstrated by our second fiscal quarter order patterns. As anticipated, Korean and Asia-Pacific customers continued to make strategic investments in leading-edge 0.35-micron and below device technologies. Korean orders totaled a record \$337 million and Asia-Pacific orders remained strong at \$214 million, while Japanese customers continued to invest heavily at \$319 million. North American orders at \$250 million slowed as expected while European orders increased to \$203 million.

"We are cautious about the overall outlook for the worldwide semiconductor industry as the semiconductor device industry growth rate slows in 1996 compared to the rapid growth rate in 1994 and 1995. In addition, the impact of pricing changes on memory devices has caused some customers to slow investment plans from prior expectations. A positive market factor is that lower memory prices will push new applications and added memory consumption will contribute to continued unit growth for long term equipment capacity requirements. In addition, leading-edge new products will continue to be required as customers build capacity for 0.35-micron and below devices. The Company's introduction of HDP-CVD (High Density Plasma-CVD) and Metal Etch DPS (Decoupled Plasma Source) Centura systems will advance semiconductor device technology towards sub-0.25-micron design rules. Applied Materials will continue to pursue its long-term growth strategy of positioning the Company's broad-based technical capabilities to provide our global customers with leading-edge manufacturing solutions for advanced semiconductor devices," Morgan concluded.

Certain matters discussed in this news release are 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, slowing growth in the demand for semiconductors and challenges from the Company's competition.

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' web site is <http://www.AppliedMaterials.com>.

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