



## APPLIED MATERIALS ANNOUNCES RESULTS FOR THIRD FISCAL QUARTER 1996

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Orders of \$931 Million, Sales of \$1.1 Billion, Income of \$169 Million

SANTA CLARA, Calif., August 13, 1996 -- Applied Materials, Inc. reported results for the third fiscal quarter ended July 28, 1996, with net sales of \$1.115 billion, which increased 24 percent from \$898 million for the third fiscal quarter of 1995. Net income increased 21 percent to \$169 million, or \$0.92 per share, for the third fiscal quarter of 1996, from \$139 million, or \$0.78 per share, for the third fiscal quarter of 1995. New orders of \$931 million were booked during the third fiscal quarter, down 7 percent from \$1.006 billion in the third fiscal quarter of 1995. Backlog declined to \$1.663 billion at the end of the third fiscal quarter of 1996 from \$1.901 billion at the end of the second fiscal quarter of 1996.

"The semiconductor industry is going through a period of significant transition with respect to reduced fab capacity investment and sharply lower memory pricing," said James C. Morgan, chairman and chief executive officer. "We are anticipating that the industry transition and related downturn in our business is likely to continue for some time."

Net sales of \$1.115 billion for the third fiscal quarter of 1996 declined modestly from second fiscal quarter net sales of \$1.128 billion. Net income as a percentage of net sales for the third fiscal quarter was 15.2 percent versus 16.5 percent for the second fiscal quarter. Gross margins for the third fiscal quarter of 1996 were 47.7 percent, down slightly from 48.0 percent in the second fiscal quarter of 1996, but up from 45.5 percent in the third fiscal quarter of 1995.

Third fiscal quarter orders at \$931 million were well below the \$1.3 billion order level for each of the past two fiscal quarters. Orders were down 20 percent from the level anticipated at the beginning of the third fiscal quarter as a result of declining product demand and profitability among customers which negatively impacted their investment decisions. Significant changes in order patterns were seen in Japan where new orders decreased 60 percent from the levels of the first and second fiscal quarters of 1996. Geographically, North America new orders for the third fiscal quarter comprised 36 percent of the Company's total, Europe 23 percent, Japan 15 percent, Korea 7 percent and Asia-Pacific 19 percent.

In response to the changing environment, the Company implemented a significant number of cost reduction measures over the past two quarters. Unfortunately, due to the rapidity and depth of this downturn, we are now announcing a reduction in the Company's workforce. As more fully outlined in a separate press release today, this reduction in workforce will represent 7 percent of Applied Materials' global employee base, or about 830 employees worldwide. In addition, the Company will discontinue about 870 temporary positions globally. The goal of this reduction is to size the Company appropriately for estimated reduced production demand and to ensure an effective and competitive cost structure for future business. As a result of this reduction in workforce and related consolidation of facilities, the Company will incur an estimated \$28-\$32 million pre-tax restructuring charge, or approximately \$0.10-\$0.11 per share after tax, during its fourth fiscal quarter of 1996.

"We are concerned about the severity of the semiconductor industry's current downturn, but we believe that the long-term outlook for the industry remains positive. The availability of less expensive memory devices should spur new applications which could lead to expanded capital equipment investment. During the remainder of the downturn, our strategy will be to continue our focus on developing world-class technology and providing outstanding global support to our customers while sustaining our financial strength," 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, continuing semiconductor device price declines, slowing growth in the demand for semiconductors, insufficient cost reduction programs, product pricing pressures 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' website is <http://www.AppliedMaterials.com>.

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