



## **Applied Materials Announces Results for First Fiscal Quarter 2003; New Orders of \$1.02 Billion; Net Sales of \$1.05 Billion**

February 11, 2003

SANTA CLARA, Calif., Feb 11, 2003 (BUSINESS WIRE) -- Applied Materials, Inc., the world's largest supplier of wafer fabrication solutions to the semiconductor industry, reported results for its first fiscal quarter ended January 26, 2003. Net sales were \$1.05 billion, down 27 percent from \$1.45 billion for the fourth fiscal quarter of 2002, and up five percent from \$1.0 billion for the first fiscal quarter of 2002. The net loss for the first fiscal quarter of 2003 was \$66 million, or \$0.04 per share, down from net income of \$147 million, or \$0.09 per diluted share, for the fourth fiscal quarter of 2002, and down from a net loss of \$45 million, or \$0.03 per share, reported for the first fiscal quarter of 2002. Results for the first fiscal quarter of 2003 included a pre-tax restructuring charge of \$99 million, or \$0.04 per share, in connection with the restructuring previously announced on November 4, 2002, primarily for employee-related costs and consolidation of facilities. Excluding the restructuring charge, the Company earned \$6 million on a pre-tax basis or \$0.00 per share.

New orders of \$1.02 billion for the first fiscal quarter of 2003 decreased 35 percent from \$1.56 billion for the fourth fiscal quarter of 2002, and decreased nine percent from \$1.12 billion for the first fiscal quarter of 2002. Regional distribution of new orders for the first fiscal quarter of 2003 was: North America 27 percent, Japan 21 percent, Europe 18 percent, Taiwan 14 percent, Southeast Asia and China 12 percent, and Korea eight percent. Backlog at the end of the first fiscal quarter of 2003 decreased to \$3.05 billion, from \$3.19 billion at the end of the fourth fiscal quarter of 2002. On January 31, 2003, the Company announced that it expected new orders for the first fiscal quarter to be lower than initially expected.

Gross margin for the first fiscal quarter of 2003 was 37.0 percent, down from 41.7 percent for the fourth fiscal quarter of 2002 and 38.5 percent for the first fiscal quarter of 2002.

"The extended downturn continues to create a challenging environment for businesses around the world. Weakness in the global economy and in the demand for chips used in consumer and business technologies has caused a number of our customers to postpone capital expenditures," said James C. Morgan, chairman and chief executive officer. "In the near term, we do not expect to see a significant upturn in capital spending and will continue to implement cost-cutting measures, as necessary, to better align our operations with business conditions. However, we remain optimistic about the future of the semiconductor equipment industry and Applied Materials.

"The Company remains focused on developing innovative solutions to help our customers meet the challenges of advanced chip manufacturing. We believe that our diverse portfolio of integration-ready systems and extensive customer support network will position us for future growth when business conditions improve."

This press release contains certain forward-looking statements, including, but not limited to, those relating to the Company's strategic position, the semiconductor equipment industry's outlook, and customers' capital spending. 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 length and severity of the economic and industry downturn; geopolitical uncertainties; the Company's ability to maintain effective cost controls and to timely align its cost structure with market conditions; the demand for electronic products; changes in demand for semiconductors and customer capacity requirements, including capacity utilizing the latest technology; changes in the timing and amount of customers' capital spending for new technology; 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 and other risks described in Applied Materials' Form 10-K, Forms 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 first fiscal quarter results, along with its outlook for the second fiscal quarter of 2003, 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 (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)

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Three Months Ended

(In thousands, except per share amounts)	January 27, 2002	January 26, 2003
Net sales	\$ 1,000,460	\$ 1,054,209
Cost of products sold	615,008	663,827
Gross margin	385,452	390,382
Operating expenses:		
Research, development and engineering	246,799	243,205
Marketing and selling	83,804	92,217
General and administrative	70,043	72,801
Restructuring and other charges(1)	85,479	99,338
Loss from operations	(100,673)	(117,179)
Interest expense	11,991	11,342
Interest income	48,132	35,372
Loss before income taxes	(64,532)	(93,149)
Benefit for income taxes	19,037	27,479
Net loss	\$ (45,495)	\$ (65,670)
Loss per share:		
Basic	\$ (0.03)	\$ (0.04)
Diluted	\$ (0.03)	\$ (0.04)
Weighted average number of shares:		
Basic	1,636,418	1,650,612
Diluted	1,636,418	1,650,612

(1) The Company's reported results of operations for the first fiscal quarter of 2003 included a pre-tax restructuring charge of \$99 million, or \$0.04 per share, for employee-related costs and consolidation of facilities in connection with the restructuring previously announced on November 4, 2002.

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

(In thousands)	October 27, 2002	January 26, 2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,284,791	\$ 1,292,948
Short-term investments	3,644,735	3,695,986
Accounts receivable, net	1,046,016	891,297
Inventories	1,273,816	1,217,107
Deferred income taxes	565,936	560,047
Other current assets	257,499	221,362
Total current assets	8,072,793	7,878,747
Property, plant and equipment, net	1,764,937	1,755,101
Other assets	387,035	391,066
Total assets	\$10,224,765	\$10,024,914
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable	\$ 40,323	\$ 40,336
Current portion of long-term debt	9,453	9,567
Accounts payable and accrued expenses	1,348,156	1,200,618
Income taxes payable	103,524	47,887
Total current liabilities	1,501,456	1,298,408
Long-term debt	573,853	573,745
Deferred income taxes and other liabilities	129,807	136,282

Total liabilities	2,205,116	2,008,435
Stockholders' equity:		
Common stock	16,480	16,552
Additional paid-in capital	2,022,546	2,050,803
Retained earnings	5,962,014	5,896,344
Accumulated other comprehensive income	18,609	52,780
Total stockholders' equity	8,019,649	8,016,479
Total liabilities and stockholders' equity	\$10,224,765	\$10,024,914

(2) Amounts as of January 26, 2003 are unaudited. Amounts as of October 27, 2002 are from the October 27, 2002 audited financial statements.

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