



Applied Materials Announces Results for First Fiscal Quarter 2004; New Orders Increase to \$1.68 Billion; Net Sales Increase to \$1.56 Billion

February 18, 2004

SANTA CLARA, Calif.--(BUSINESS WIRE)--Feb. 18, 2004--Applied Materials, Inc. (Nasdaq:AMAT), the world's largest supplier of wafer fabrication solutions to the semiconductor industry, reported results for its first fiscal quarter ended February 1, 2004. Net sales were \$1.56 billion, up 27 percent from \$1.22 billion for the fourth fiscal quarter of 2003, and up 48 percent from \$1.05 billion for the first fiscal quarter of 2003. Gross margin for the first fiscal quarter of 2004 was 43.5 percent, up from 40.5 percent for the fourth fiscal quarter of 2003 and up from 37.0 percent for the first fiscal quarter of 2003. Net income for the first fiscal quarter of 2004 was \$82 million, or \$0.05 per share, compared to net income of \$15 million, or \$0.01 per share, for the fourth fiscal quarter of 2003, and up from a net loss of \$66 million, or \$0.04 per share, for the first fiscal quarter of 2003.

The company reported a pre-tax realignment charge of \$167 million, or \$0.07 per share after tax, for the first fiscal quarter of 2004. Realignment activities consisted primarily of consolidation of facilities. Excluding the charges associated with realignment activities, the company would have reported ongoing net income of \$200 million, or \$0.12 per share, for the first fiscal quarter of 2004, an increase from \$95 million, or \$0.06 per share, for the fourth fiscal quarter of 2003.

New orders of \$1.68 billion for the first fiscal quarter of 2004 increased 32 percent from \$1.28 billion for the fourth fiscal quarter of 2003, and increased 66 percent from \$1.02 billion for the first fiscal quarter of 2003. Regional distribution of new orders for the first fiscal quarter of 2004 was: Southeast Asia and China 25 percent, Taiwan 18 percent, North America 17 percent, Japan 17 percent, Europe 12 percent, and Korea 11 percent. Backlog at the end of the first fiscal quarter of 2004 was \$2.63 billion, compared to \$2.50 billion at the end of the fourth fiscal quarter of 2003.

"We are pleased with our revenue and order growth trends," said Mike Splinter, president and chief executive officer of Applied Materials. "Semiconductor unit demand remained robust throughout the quarter, driven by higher consumer electronics and business IT spending. Based on these industry drivers, our customers have announced increased capital spending plans for 2004. With our technological leadership, global customer support capabilities and financial strength, Applied Materials is well positioned to support our customers as they move into the nanometer era of chip manufacturing."

Applied Materials continues to demonstrate its leadership by delivering critical technologies that enable our customers to manufacture their most advanced designs. The company's next-generation Endura2 system, a streamlined platform for physical vapor deposition, achieves new levels of reliability, serviceability and efficiency. Applied Materials, along with eight semiconductor manufacturers, recently showcased the use of the Applied Black Diamond(R) low k film in breakthrough products already being manufactured in high volume. Additionally, the new AKT-40K PECVD (plasma enhanced chemical vapor deposition) system processes the largest substrates available today, at the fastest speeds, for LCD (liquid crystal display) TV screens.

"New 300mm fabs and expansions of existing facilities are driving an increased demand for wafer fabrication equipment. We believe that Applied Materials' outstanding products and services, combined with our customer focus and leaner cost structure, position the company to grow," 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 company's strategic position, technological leadership, increased profitability and growth, and revenue and order trends; customers' capital spending plans and investments in manufacturing capacity and new technology; and the semiconductor and semiconductor equipment industries' growth and positive 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 increased demand in the semiconductor and semiconductor equipment industries, 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 nanometer 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 requirements; the company's ability to maintain effective cost controls and to timely align its cost

structure with business 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 first fiscal quarter results, along with its outlook for the second 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, Inc. (Nasdaq:AMAT) is the largest supplier of equipment and services to the global semiconductor industry. Applied Materials' web site is <http://www.appliedmaterials.com>.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)	Three Months Ended	
	January 26, 2003	February 1, 2004
Net sales	\$1,054,209	\$1,555,448
Cost of products sold	663,827	879,279
Gross margin	390,382	676,169
Operating expenses:		
Research, development and engineering	243,205	242,645
Marketing and selling	92,217	88,398
General and administrative	72,801	80,294
Restructuring, asset impairments and other charges	99,338	167,459
Income/(loss) from operations	(117,179)	97,373
Interest expense	11,342	11,800
Interest income	35,372	31,273
Income/(loss) before income taxes	(93,149)	116,846
Provision for/(benefit from) income taxes	(27,479)	34,470
Net income/(loss)	\$ (65,670)	\$ 82,376
Earning/(loss) per share:		
Basic	\$ (0.04)	\$ 0.05
Diluted	\$ (0.04)	\$ 0.05
Weighted average number of shares:		
Basic	1,650,612	1,682,025
Diluted	1,650,612	1,735,268

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	October 26, 2003	February 1, 2004
	(AUDITED)	(UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,364,857	\$ 1,470,471

Short-term investments	4,128,349	4,226,823
Accounts receivable, net	912,875	1,081,142
Inventories	950,692	999,740
Deferred income taxes	782,823	788,981
Other current assets	231,177	212,679
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Total current assets	8,370,773	8,779,836
Property, plant and equipment	3,094,427	2,888,871
Less: accumulated depreciation and amortization	(1,534,597)	(1,415,297)
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Net property, plant and equipment	1,559,830	1,473,574
Goodwill, net	223,521	223,521
Purchased technology and other intangible assets, net	92,512	80,271
Other assets	64,986	73,777
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Total assets	\$10,311,622	\$10,630,979
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of long-term debt	\$ 105,292	\$ 105,292
Accounts payable and accrued expenses	1,319,471	1,466,303
Income taxes payable	216,114	237,425
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Total current liabilities	1,640,877	1,809,020
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Long-term debt	456,422	455,815
Deferred income taxes and other liabilities	146,289	147,230
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Total liabilities	2,243,588	2,412,065
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Stockholders' equity:

Common stock	16,774	16,858
Additional paid-in capital	2,223,553	2,275,110
Deferred stock compensation, net	(1,543)	(1,151)
Retained earnings	5,812,867	5,895,243
Accumulated other comprehensive income	16,383	32,854
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Total stockholders' equity	8,068,034	8,218,914
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Total liabilities and stockholders' equity	\$10,311,622	\$10,630,979
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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(2)	Ongoing Results
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Net sales	\$1,220,998	\$ -	\$1,220,998
Cost of products sold	726,627	-	726,627
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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).

2) 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)

Three Months Ended

February 1, 2004

(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$1,555,448	\$ -	\$1,555,448
Cost of products sold	879,279	-	879,279
Gross margin	676,169	-	676,169

Operating expenses:			
Research, development and engineering	242,645	-	242,645
Marketing and selling	88,398	-	88,398
General and administrative	80,294	-	80,294
Restructuring, asset impairments and other charges	167,459	(167,459) (c)	-

Income from operations	97,373	167,459	264,832
Interest expense	11,800	-	11,800
Interest income	31,273	-	31,273

Income before income taxes	116,846	167,459	284,305
Provision for income taxes	34,470	49,400 (d)	83,870

Net income	\$ 82,376	\$ 118,059	\$ 200,435

Earnings per share:			
Basic	\$ 0.05	\$ 0.07	\$ 0.12
Diluted	\$ 0.05	\$ 0.07	\$ 0.12

Weighted average number of shares:			
Basic	1,682,025	1,682,025	1,682,025
Diluted	1,735,268	1,735,268	1,735,268

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

3) Special items for the first fiscal quarter of 2004 consisted of the following:

c) Restructuring, asset impairments and other charges resulting primarily from the consolidation of facilities 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

January 26, 2003

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

Net sales	\$1,054,209	\$ -	\$1,054,209
Cost of products sold	663,827	-	663,827

Gross margin	390,382	-	390,382

Operating expenses:

Research, development and engineering	243,205	-	243,205
Marketing and selling	92,217	-	92,217
General and administrative	72,801	-	72,801
Restructuring, asset impairments and other charges	99,338	(99,338) (a)	-
Income/(loss) from operations	(117,179)	99,338	(17,841)
Interest expense	11,342	-	11,342
Interest income	35,372	-	35,372
Income/(loss) before income taxes	(93,149)	99,338	6,189
Provision for/(benefit from) income taxes	(27,479)	29,305 (b)	1,826
Net income/(loss)	\$ (65,670)	\$ 70,033	\$ 4,363
Earnings/(loss) per share:			
Basic	\$ (0.04)	\$ 0.04	\$ -
Diluted	\$ (0.04)	\$ 0.04	\$ -
Weighted average number of shares:			
Basic	1,650,612	1,650,612	1,650,612
Diluted	1,650,612	1,682,213	1,682,213

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

2) Special items for the first 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)

Three Months Ended

February 1, 2004

(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$1,555,448	\$ -	\$1,555,448
Cost of products sold	879,279	-	879,279
Gross margin	676,169	-	676,169

Operating expenses:

Research, development and engineering	242,645	-	242,645
Marketing and selling	88,398	-	88,398
General and administrative	80,294	-	80,294
Restructuring, asset impairments and other charges	167,459	(167,459) (c)	-
Income/(loss) from operations	97,373	167,459	264,832
Interest expense	11,800	-	11,800
Interest income	31,273	-	31,273
Income/(loss) before income taxes	116,846	167,459	284,305
Provision for /(benefit from) income taxes	34,470	49,400 (d)	83,870
Net income/(loss)	\$ 82,376	\$ 118,059	\$ 200,435

Earnings/(loss) per share:

Basic	\$ 0.05	\$ 0.07	\$ 0.12
Diluted	\$ 0.05	\$ 0.07	\$ 0.12

Weighted average number of shares:

Basic	1,682,025	1,682,025	1,682,025
Diluted	1,735,268	1,735,268	1,735,268

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

3) Special items for the first fiscal quarter of 2004 consisted of the following:

c) Restructuring, asset impairments and other charges resulting primarily from the consolidation of facilities associated with realignment activities.

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

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SOURCE: Applied Materials, Inc.