



Applied Materials Announces Results for Fourth Fiscal Quarter 2004; New Orders of \$2.62 Billion; Net Sales of \$2.20 Billion

November 17, 2004

SANTA CLARA, Calif.--(BUSINESS WIRE)--Nov. 17, 2004--Applied Materials, Inc. (Nasdaq:AMAT), the world's largest supplier of wafer fabrication solutions to the global semiconductor industry, reported results for its fourth fiscal quarter ended October 31, 2004. Net sales were \$2.20 billion, down 1 percent from \$2.24 billion for the third fiscal quarter of 2004, and up 80 percent from \$1.22 billion for the fourth fiscal quarter of 2003. Gross margin for the fourth fiscal quarter of 2004 was 46.6 percent, down from 47.4 percent for the third fiscal quarter of 2004 and up from 40.5 percent for the fourth fiscal quarter of 2003. Net income for the fourth fiscal quarter of 2004 was \$455 million, or \$0.27 per share, up from net income of \$441 million, or \$0.26 per share, for the third fiscal quarter of 2004, and up from net income of \$15 million, or \$0.01 per share, for the fourth fiscal quarter of 2003. The results of the fourth fiscal quarter of 2004 include litigation settlements and a favorable tax rate adjustment due primarily to changes in export tax benefits and the global effective tax rate with respect to foreign operations.

The company's ongoing net income was \$455 million, or \$0.27 per share, for the fourth fiscal quarter of 2004, up from \$441 million, or \$0.26 per share, for the third fiscal quarter of 2004, and up from \$95 million, or \$0.06 per share, for the fourth fiscal quarter of 2003. Ongoing results for the third and fourth fiscal quarters of 2004 were the same as reported net income.

New orders of \$2.62 billion for the fourth fiscal quarter of 2004 increased 7 percent from \$2.46 billion for the third fiscal quarter of 2004, and increased 105 percent from \$1.28 billion for the fourth fiscal quarter of 2003. Regional distribution of new orders for the fourth fiscal quarter of 2004 was: Taiwan 25 percent, Japan 20 percent, North America 17 percent, Korea 16 percent, Southeast Asia and China 11 percent, and Europe 11 percent. Backlog at the end of the fourth fiscal quarter of 2004 was \$3.37 billion, compared to \$2.99 billion at the end of the third fiscal quarter of 2004.

During the fourth fiscal quarter of 2004, the company repurchased 31 million shares of common stock at an average price of \$16.13 per share for an aggregate purchase price of \$500 million.

"We are pleased with our financial performance this quarter and our strong growth for this fiscal year," said Mike Splinter, president and chief executive officer. "Our team delivered solid results with increased orders driven by customer demand for our industry-leading 300mm and sub-100 nanometer products."

The company also announced its results for its fiscal year ended October 31, 2004. Fiscal 2004 new orders were \$8.98 billion, a 108 percent increase from fiscal 2003 new orders of \$4.32 billion. Net sales for fiscal 2004 were \$8.01 billion, a 79 percent increase from fiscal 2003 net sales of \$4.48 billion. Net income for fiscal 2004 was \$1.35 billion, or \$0.78 per diluted share, up from a loss of \$149 million, or \$0.09 loss per share, for fiscal 2003.

"We introduced 10 breakthrough products in critical technology areas for transistors, interconnects, defect review and flat panel displays, as well as new service products," Splinter continued. "Applied Materials increased its market share in a number of its core product areas and won customer awards for outstanding reliability and quality."

"As the fourth quarter progressed, some customers became more cautious in response to inventory concerns, slowing their 200mm investments," said Splinter. "Even with these near-term market challenges, we believe our customers will continue to invest in advanced technology and 300mm manufacturing. We remain focused on translating our proven product and process expertise into cost-effective, innovative solutions for our customers," concluded Splinter.

Reconciliations of reported results of operations under U.S. Generally Accepted Accounting Principles (GAAP) to ongoing results are included as a supplement to this press release. Due to the amount of charges incurred in prior periods as a result of realignment activities, Applied Materials believes that ongoing results are useful to investors because they reflect baseline performance exclusive of charges associated with realignment activities. Ongoing results are the primary indicator used by Applied Materials' management to plan and forecast future periods. These non-GAAP measures are neither in accordance with, nor an alternative for, GAAP, and may be materially different from non-GAAP 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 customers' investments, market conditions, and the company's strategic position and business outlook. Forward-looking statements may contain words such as "expect," "anticipate," "believe," "may," "should," "will," "estimate," "forecast," "see," or similar expressions, and include the assumptions that underlie such statements. These 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. Risks and uncertainties include, but are not limited to: the sustainability of 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, which depend in part on customers' inventory levels relative to demand for their products; the timing, rate, amount and sustainability of capital spending for new technology, such as 300mm and sub-100 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; the successful integration and performance of acquired businesses; the effectiveness of strategic

transactions; changes in management; and other risks described in Applied Materials' Securities and Exchange Commission filings. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. The company undertakes no obligation to update the forward-looking statements in this press release.

Applied Materials will be discussing its fourth quarter and fiscal 2004 results, along with its outlook for the first fiscal quarter of 2005, 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, 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

	Three Months Ended		Fiscal Year Ended	
(In thousands, except per share amounts)	October 26, 2003	October 31, 2004	October 26, 2003	October 31, 2004
Net sales	\$1,220,998	\$2,203,348	\$4,477,291	\$8,013,053
Cost of products sold	726,627	1,176,145	2,872,836	4,311,808
Gross margin	494,371	1,027,203	1,604,455	3,701,245
Operating expenses:				
Research, development and engineering	227,950	248,272	920,618	991,873
Marketing and selling	71,283	108,490	325,189	394,376
General and administrative	77,370	106,100	300,676	357,245
Restructuring, asset impairments and other charges	113,504	-	371,754	167,459
Litigation settlements, net	-	26,627	-	26,627
Income/(loss) from operations	4,264	537,714	(313,782)	1,763,665
Interest expense	11,690	15,906	46,875	52,877
Interest income	29,342	36,100	149,101	118,462
Income/(loss) before income taxes	21,916	557,908	(211,556)	1,829,250
Provision for/(benefit from) income taxes	6,465	102,900	(62,409)	477,947
Net income/(loss)	\$ 15,451	\$ 455,008	\$ (149,147)	\$1,351,303
Earnings/(loss) per share:				
Basic	\$ 0.01	\$ 0.27	\$ (0.09)	\$ 0.80
Diluted	\$ 0.01	\$ 0.27	\$ (0.09)	\$ 0.78
Weighted average number of shares:				
Basic	1,671,926	1,683,671	1,659,557	1,688,121
Diluted	1,715,763	1,703,331	1,659,557	1,721,645

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	October 26, 2003	October 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,364,857	\$ 2,281,844
Short-term investments	4,128,349	4,296,152
Accounts receivable, net	912,875	1,670,153
Inventories	950,692	1,139,368
Deferred income taxes	782,823	610,095
Other current assets	231,177	283,907
Total current assets	8,370,773	10,281,519
Property, plant and equipment	3,094,427	2,953,130
Less: accumulated depreciation and amortization	(1,534,597)	(1,607,602)
Net property, plant and equipment	1,559,830	1,345,528
Goodwill, net	223,521	257,321
Purchased technology and other intangible assets, net	92,512	50,291
Other assets	64,986	158,786
Total assets	\$10,311,622	\$12,093,445
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 105,292	\$ 45,864
Accounts payable and accrued expenses	1,319,471	1,895,061
Income taxes payable	216,114	347,056
Total current liabilities	1,640,877	2,287,981
Long-term debt	456,422	410,436
Deferred income taxes and other liabilities	146,289	133,001
Total liabilities	2,243,588	2,831,418
Stockholders' equity:		
Common stock	16,774	16,803
Additional paid-in capital	2,223,553	2,070,733
Deferred stock compensation, net	(1,543)	(96)
Retained earnings	5,812,867	7,164,170
Accumulated other comprehensive income	16,383	10,417
Total stockholders' equity	8,068,034	9,262,027
Total liabilities and stockholders' equity	\$10,311,622	\$12,093,445

APPLIED MATERIALS, INC.
SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS -- ONGOING BASIS

Three Months Ended

October 26, 2003

(In thousands, except	Special	Ongoing
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per share amounts)	Reported(1)	Items(2)	Results
Net sales	\$1,220,998	\$ -	\$1,220,998
Cost of products sold	726,627	-	726,627
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)	-
Litigation settlements, net	-	-	-
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) The tax effect of special items.

Three Months Ended

October 31, 2004

	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$2,203,348	\$ -	\$2,203,348
Cost of products sold	1,176,145	-	1,176,145

Gross margin	1,027,203	-	1,027,203
Operating expenses:			
Research, development and engineering	248,272	-	248,272
Marketing and selling	108,490	-	108,490
General and administrative	106,100	-	106,100
Restructuring, asset impairments and other charges	-	-	-
Litigation settlements, net	26,627	-	26,627
Income from operations	537,714	-	537,714
Interest expense	15,906	-	15,906
Interest income	36,100	-	36,100
Income before income taxes	557,908	-	557,908
Provision for income taxes	102,900	-	102,900
Net income	\$ 455,008	\$ -	\$ 455,008
Earnings per share:			
Basic	\$ 0.27	\$ -	\$ 0.27
Diluted	\$ 0.27	\$ -	\$ 0.27
Weighted average number of shares:			
Basic	1,683,671	1,683,671	1,683,671
Diluted	1,703,331	1,703,331	1,703,331

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

(3) There were no special items for the fourth fiscal quarter of 2004. Therefore, ongoing results are the same as reported results of operations.

APPLIED MATERIALS, INC.
SUPPLEMENTAL CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS -- ONGOING BASIS

Fiscal Year Ended

October 26, 2003

(In thousands, except per share amounts)	Reported(1)	Special Items(2)	Ongoing Results
Net sales	\$4,477,291	\$ -	\$4,477,291
Cost of products sold	2,872,836	(142,404) (a)	2,730,432
Gross margin	1,604,455	142,404	1,746,859
Operating expenses:			
Research, development and engineering	920,618	(13,916) (b)	906,702

Marketing and selling	325,189	-	325,189
General and administrative	300,676	-	300,676
Restructuring, asset impairments and other charges	371,754	(371,754) (c)	-
Litigation settlements, net	-	-	-
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Income/(loss) from operations	(313,782)	528,074	214,292
Interest expense	46,875	-	46,875
Interest income	149,101	-	149,101
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Income/(loss) before income taxes	(211,556)	528,074	316,518
Provision for/(benefit from) income taxes	(62,409)	155,782 (d)	93,373
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Net income/(loss)	\$ (149,147)	\$ 372,292	\$ 223,145
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Earnings/(loss) per share:			
Basic	\$ (0.09)	\$ 0.22	\$ 0.13
Diluted	\$ (0.09)	\$ 0.22	\$ 0.13

Weighted average number of
shares:

Basic	1,659,557	1,659,557	1,659,557
Diluted	1,659,557	1,691,644	1,691,644

- (1) Reported results of operations are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- (2) Special items for the fiscal year ended October 26, 2003 consisted of the following:
- Charges to cost of products sold for inventory write-offs as a result of the implementation of the global spares distribution system and refocused product efforts, which included the Etec mask pattern products.
 - Charges to research, development and engineering expense for laboratory tool write-offs resulting from refocused product efforts associated with realignment activities.
 - Restructuring, asset impairments and other charges resulting from employee-related costs, the consolidation of facilities and impairment of certain assets associated with realignment activities.
 - The tax effect of special items.

Fiscal Year Ended

October 31, 2004

(In thousands, except per share amounts)	Reported(1)	Special Items(3)	Ongoing Results
Net sales	\$8,013,053	\$ -	\$8,013,053
Cost of products sold	4,311,808	-	4,311,808

Gross margin	3,701,245	-	3,701,245
Operating expenses:			
Research, development and engineering	991,873	-	991,873
Marketing and selling	394,376	-	394,376
General and administrative	357,245	-	357,245
Restructuring, asset impairments and other charges	167,459	(167,459) (e)	-
Litigation settlements, net	26,627	-	26,627
Income/(loss) from operations	1,763,665	167,459	1,931,124
Interest expense	52,877	-	52,877
Interest income	118,462	-	118,462
Income/(loss) before income taxes	1,829,250	167,459	1,996,709
Provision for/(benefit from) income taxes	477,947	49,400 (f)	527,347
Net income/(loss)	\$1,351,303	\$ 118,059	\$1,469,362
Earnings/(loss) per share:			
Basic	\$ 0.80	\$ 0.07	\$ 0.87
Diluted	\$ 0.78	\$ 0.07	\$ 0.85
Weighted average number of shares:			
Basic	1,688,121	1,688,121	1,688,121
Diluted	1,721,645	1,721,645	1,721,645

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

(3) Special items for the fiscal year ended October 31, 2004, all of which occurred in the first fiscal quarter of 2004, consisted of the following:

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

f) The tax effect of special items.

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SOURCE: Applied Materials, Inc.