UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JULY 26, 1998 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _______________

Commission file number 0-6920

APPLIED MATERIALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1655526
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3050 Bowers Avenue, Santa Clara, California	95054-3299
Address of principal executive offices	(Zip Code)
Registrant's telephone number, including area code	(408) 727-5555

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Number of shares outstanding of the issuer's common stock as of July 26, 1998: 367,557,208

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	July 26, 1998	July 27, 1997	July 26, 1998	July 27, 1997
Net sales	$ 884,491	$1,057,241	$3,368,492	$2,793,879
Cost of products sold	490,102	558,345	1,790,373	1,509,310
Gross margin	394,389	498,896	1,578,119	1,284,569
Operating expenses:				
Research, development and engineering	154,044	143,880	518,310	392,345
Marketing and selling	79,896	81,191	250,974	222,427
General and administrative	69,667	60,569	212,180	179,794
Restructuring	35,000	--	35,000	--
Bad debt expense	--	16,318	--	16,318
Acquired in-process research and development	--	--	32,227	59,500
Income from operations	55,782	196,938	529,428	414,185
Income from litigation settlement	--	80,000	80,000	80,000
Interest expense	11,282	4,851	35,031	15,586
Interest income	18,868	15,038	58,377	43,193
Income from consolidated companies before taxes	63,368	287,125	632,774	521,792
Provision for income taxes	15,851	100,494	215,143	203,453
Income from consolidated companies	47,517	186,631	417,631	318,339
Equity in net income/(loss) of joint venture	--	--	--	--
Net income	$ 47,517	$ 186,631	$ 417,631	$ 318,339
Earnings per share: *				
Basic	$ 0.13	$ 0.51	$ 1.14	$ 0.88
Diluted	$ 0.13	$ 0.49	$ 1.10	$ 0.85
Weighted average number of shares: *				
Basic	366,942	364,012	366,584	362,662
Diluted	378,072	379,218	378,808	375,540

* Amounts for the three and nine months ended July 27, 1997 have been retroactively restated to reflect a two-for-one stock split in the form of a 100 percent stock dividend, effective October 13, 1997.

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS*

(In thousands)	July 26, 1998	Oct. 26, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 387,057	$ 448,043
Short-term investments	1,215,710	1,094,912
Accounts receivable, net	814,883	1,110,885
Inventories	632,513	686,451
Deferred income taxes	324,144	324,568
Other current assets	208,871	105,498
Total current assets	3,583,178	3,770,357
Property, plant and equipment, net	1,234,151	1,066,053
Other assets	222,427	234,356
Total assets	$ 5,039,756	$ 5,070,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 153	$ 55,943
Current portion of long-term debt	6,444	10,563
Accounts payable and accrued expenses	933,434	1,157,808
Income taxes payable	117,314	177,774
Total current liabilities	1,057,345	1,402,088
Long-term debt	611,812	623,090
Deferred income taxes and other liabilities	110,396	103,417
Total liabilities	1,779,553	2,128,595
Stockholders' equity:		
Common stock	3,676	3,672
Additional paid-in capital	769,263	850,902
Retained earnings	2,515,669	2,098,038
Cumulative translation adjustments	(28,405)	(10,441)
Total stockholders' equity	3,260,203	2,942,171
Total liabilities and stockholders' equity	$ 5,039,756	$ 5,070,766

* Amounts as of July 26, 1998 are unaudited. Amounts as of October 26, 1997 are from the October 26, 1997 audited financial statements.

See accompanying notes to consolidated condensed financial statements.

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

(In thousands)	Nine Months Ended July 26, 1998	Nine Months Ended July 27, 1997
Cash flows from operating activities:		
Net income	$ 417,631	$ 318,339
Adjustments required to reconcile net income to cash provided by operations:		
Acquired in-process research and development expense	32,227	59,500
Bad debt expense	--	16,318
Depreciation and amortization	211,133	162,540
Deferred income taxes	(2,363)	1,280
Equity in net income/(loss) of joint venture	--	--
Changes in assets and liabilities, net of amounts acquired:		
Accounts receivable	244,892	(121,282)
Inventories	43,603	(109,784)
Other current assets	(105,076)	(27,684)
Other assets	(8,844)	(2,736)
Accounts payable and accrued expenses	(175,530)	170,598
Income taxes payable	(56,169)	163,852
Other liabilities	11,441	10,022
Cash provided by operations	612,945	640,963
Cash flows from investing activities:		
Capital expenditures, net of retirements	(375,435)	(183,937)
Cash paid for licensed technology	(32,227)	--
Cash paid for acquisitions, net of cash acquired	--	(246,276)
Proceeds from sales of short-term investments	618,324	460,899
Purchases of short-term investments	(739,122)	(717,814)
Cash used for investing	(528,460)	(687,128)
Cash flows from financing activities:		
Short-term debt activity, net	(55,239)	(57,568)
Long-term debt activity, net	(7,117)	(57,365)
Common stock transactions, net	(81,635)	(28,285)
Cash used for financing	(143,991)	(143,218)
Effect of exchange rate changes on cash	(1,480)	(1,441)
Decrease in cash and cash equivalents	(60,986)	(190,824)
Cash and cash equivalents - beginning of period	448,043	403,888
Cash and cash equivalents - end of period	$ 387,057	$ 213,064

For the nine months ended July 26, 1998, cash payments for interest and income taxes were $23,524 and $257,417, respectively. For the nine months ended July 27, 1997, cash payments for interest and income taxes were $10,534 and $41,788, respectively.

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
NINE MONTHS ENDED JULY 26, 1998

1) Basis of Presentation

In the opinion of management, the unaudited consolidated condensed financial statements of Applied Materials, Inc. (the Company) included herein have been prepared on a consistent basis with the October 26, 1997 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly present the information set forth therein. These interim consolidated financial statements should be read in conjunction with the October 26, 1997 audited consolidated financial statements and notes thereto. The Company's results of operations for the three and nine months ended July 26, 1998 are not necessarily indicative of future operating results.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

2) Earnings Per Share

The Company adopted Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share," in the first fiscal quarter of 1998. Under the provisions of SFAS 128, primary earnings per share has been replaced by basic earnings per share, which does not include the dilutive effect of stock options in its calculation. In addition, fully diluted earnings per share has been replaced by diluted earnings per share. All prior period earnings per share amounts have been restated to reflect the requirements of SFAS 128. Basic earnings per share has been computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share has been computed using the weighted average number of common shares and equivalents (representing the dilutive effect of stock options) outstanding during the period. Net income has not been adjusted for any period presented for purposes of computing basic or diluted earnings per share.

For purposes of computing diluted earnings per share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period. For the three months ended July 26, 1998, options to purchase approximately 5,520,000 shares of common stock at an average price of $35.96 were excluded from the computation, and for the nine months ended July 26, 1998, options to purchase approximately 3,677,000 shares of common stock at an average price of $37.43 were excluded from the computation.

3) Inventories

Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. The components of inventories are as follows (in thousands):

	July 26, 1998	October 26, 1997
Customer service spares	$250,404	$207,938
Raw materials	94,732	106,406
Work-in-process	183,671	256,737
Finished goods	103,706	115,370
	$632,513	$686,451

4) Other Assets

The components of other assets are as follows (in thousands):

	July 26, 1998	October 26, 1997
Purchased technology, net	$167,100	$186,127
Goodwill, net	12,042	13,438
Other	43,285	34,791
	$222,427	$234,356

Purchased technology and goodwill are presented at cost, net of accumulated amortization, and are being amortized using the straight-line method over their estimated useful lives of eight years. The Company periodically analyzes these assets to determine whether an impairment in carrying value has occurred.

5) Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses are as follows (in thousands):

	July 26, 1998	October 26, 1997
Accounts payable	$ 190,490	$ 347,584
Compensation and benefits	170,873	219,384
Installation and warranty	209,218	216,962
Other	362,853	373,878
	$ 933,434	$1,157,808

6) Restructuring

During the third fiscal quarter of 1998, in response to continued reductions in capital spending by semiconductor manufacturers, the Company completed a voluntary separation plan and developed plans to consolidate certain facilities. In connection with these actions, a pre-tax restructuring charge of $35 million, or $0.06 per diluted share after tax, was recorded.

Restructuring activity in the third fiscal quarter of 1998 was as follows (in thousands):

	Severance and Benefits	Facilities
Provision	$ 24,812	$ 10,188
Amount utilized	(5,925)	(435)
Balance, July 26, 1998	$ 18,887	$ 9,753

The provision for severance and benefits relates primarily to employees who accepted the Company's voluntary separation offer. The majority of these employees were based in Santa Clara, California and Austin, Texas, and all activities of the Company were impacted. The provision for facilities includes net operating costs associated with subleased buildings. The majority of the remaining cash outlays of approximately $29 million are expected to occur during the fourth fiscal quarter of 1998.

7) Licensed Technology and Acquisitions

During the first fiscal quarter of 1998, the Company entered into an agreement with Trikon Technologies, Inc. for a non-exclusive, worldwide, perpetual license of MORI(TM) plasma source and Forcefill(TM) deposition technology. The Company recognized pre-tax acquired in-process research and development expense of approximately $32.2 million, including transaction costs, in connection with the execution of this agreement.

During the first fiscal quarter of 1997, the Company acquired Opal, Inc. and Orbot Instruments, Ltd. in separate transactions for approximately $293 million, consisting primarily of cash. In connection with these acquisitions, the Company recorded a non-tax deductible charge of $59.5 million for acquired in-process research and development. With the exception of this item, the Company's results of operations were not materially affected by these acquisitions for the nine months ended July 27, 1997.

8) Bad Debt Expense

During the third fiscal quarter of 1997, the Company determined that its outstanding accounts receivable balance from Thailand-based Submicron Technology PCL ("SMT") was not collectible. Therefore, the Company repossessed systems previously sold to SMT and recorded $16.3 million of bad debt expense.

9) Litigation Settlement

During the first fiscal quarter of 1998, the Company settled all outstanding litigation with ASM International N.V. (ASM) and recorded $80 million of pre-tax non-operating income. As a result of this settlement, ASM is also required to pay ongoing royalties for certain system shipments subsequent to the date of the settlement. Ongoing royalties have not been, and are not expected to be, material.

During the third fiscal quarter of 1997, the Company settled certain outstanding litigation with Novellus Systems, Inc. In connection with this settlement, the Company received $80 million in damages from Novellus for past patent infringement. Novellus is also required to pay ongoing royalties for certain system shipments subsequent to the date of the settlement. Ongoing royalties have not been, and are not expected to be, material.

10) New Accounting Pronouncements

In February 1998, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). SFAS 132 does not change the measurement or recognition of such plans, but does standardize the disclosure requirements for pensions and other postretirement benefits to the extent practicable. SFAS 132 also requires disclosure of additional information on changes in the benefit obligations and fair values of plan assets, and eliminates certain other disclosures that were previously required. The Company will be required to adopt SFAS 132 in fiscal 1999.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statement of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. The Company has not yet determined the effect of adopting SFAS 133, which will be effective for the Company's fiscal 2000.

11) Subsequent Events

On August 25, 1998, the Company announced that it expects to initiate and complete a restructuring plan by the end of the fourth fiscal quarter of 1998. As part of this restructuring plan, approximately 2,000 positions, or 15 percent of the Company's global workforce, were eliminated. Of these positions, approximately 750 were eliminated in California and 600 in Texas. The majority of the remaining positions will be eliminated from other locations worldwide by the end of the fourth fiscal quarter. The restructuring plan has not yet been finalized; therefore, the Company cannot quantify the associated costs at this time. However, as a result of non-recurring charges associated with the restructuring plan, the Company expects to incur a net loss for its fourth fiscal quarter ending October 25, 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical statements, this Quarterly Report on Form 10-Q contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those stated. These forward-looking statements reflect management's opinions only as of the date hereof, and Applied Materials, Inc. (the Company) assumes no obligation to update this information. Risks and uncertainties include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Trends, Risks and Uncertainties." Other risks and uncertainties are disclosed in the Company's SEC filings, including the Company's Annual Report on Form 10-K for the fiscal year ended October 26, 1997 and Quarterly Reports on Form 10-Q for the first and second fiscal quarters of 1998 ended January 25, 1998 and April 26, 1998, respectively.

EVENTS SUBSEQUENT TO QUARTER END

On August 25, 1998, the Company announced that it expects to initiate and complete a restructuring plan by the end of the fourth fiscal quarter of 1998. As part of this restructuring plan, approximately 2,000 positions, or 15 percent of the Company's global workforce, were eliminated. Of these positions, approximately 750 were eliminated in California and 600 in Texas. The majority of the remaining positions will be eliminated from other locations worldwide by the end of the fourth fiscal quarter. The restructuring plan has not yet been finalized; therefore, the Company cannot quantify the associated costs at this time. However, as a result of non-recurring charges associated with the restructuring plan, the Company expects to incur a net loss for its fourth fiscal quarter ending October 25, 1998.

RESULTS OF OPERATIONS

The Company received new orders of $608 million for the third fiscal quarter of 1998, versus $1.0 billion for the second fiscal quarter of 1998 and $1.3 billion for the first fiscal quarter of 1998. The significant decrease in new orders was broad-based, as customers in all regions reacted to further business difficulties by delaying equipment deliveries and investments in capacity and strategic programs. The semiconductor industry downturn that began during the first fiscal quarter of 1998 continued to deepen during the third fiscal quarter of 1998 as a result of poor economic conditions in Asia, industry overcapacity and a movement to sub-$1,000 PCs. There is a high degree of uncertainty regarding the length and severity of the current industry downturn, and therefore, for this and other reasons, the Company's results of operations for the three and nine months ended July 26, 1998 are not necessarily indicative of future operating results.

New orders by region were as follows (dollars in millions):

	Three Months Ended			
	July 26, 1998		April 26, 1998	
	($)	(%)	($)	(%)
North America	270	45	430	42
Europe	70	11	164	16
Japan	110	18	155	15
Korea	28	5	41	4
Taiwan	124	20	111	11
Asia-Pacific	6	1	126	12
Total	608	100	1,027	100

The Company's backlog at July 26, 1998 was $1.0 billion, versus $1.4 billion at April 26, 1998 and $1.6 billion at January 25, 1998. The decline in backlog from April 26, 1998 to July 26, 1998 was a result of net sales in excess of new orders, as well as $125 million of cancellations and debookings during the third fiscal quarter of 1998.

The Company's net sales for the three months ended July 26, 1998 decreased 16.3 percent from the corresponding period of fiscal 1997. Results for the three months ended July 26, 1998 were significantly impacted by the industry downturn discussed above, whereas during the corresponding period of fiscal 1997, the industry was beginning to recover from the 1996 downturn. The Company's net sales for the nine months ended July 26, 1998 increased 20.6 percent from the corresponding period of fiscal 1997. Although the third fiscal quarter of 1998 was negatively impacted by industry conditions, the first and second fiscal quarters of 1998 posted relatively strong results. During the corresponding period of fiscal 1997, the Company was affected by a downturn in the semiconductor industry that began in 1996 and started to improve in the third fiscal quarter of 1997. Net sales by region were as follows (dollars in millions):

	Three Months Ended				Nine Months Ended			
	July 26, 1998		July 27, 1997		July 26, 1998		July 27, 1997	
	($)	(%)	($)	(%)	($)	(%)	($)	(%)
North America	332	38	447	42	1,268	38	1,092	39
Europe	193	22	124	12	548	16	450	16
Japan	129	14	195	18	555	17	455	16
Korea	47	5	71	7	129	4	223	8
Taiwan	156	18	196	19	717	21	440	16
Asia-Pacific	27	3	24	2	151	4	134	5
	884	100	1,057	100	3,368	100	2,794	100

The Company's gross margin for the three and nine month periods ended July 26, 1998 was 44.6 percent and 46.8 percent, respectively, compared to 47.2 percent and 46.0 percent, respectively, for the corresponding periods of fiscal 1997. The fluctuations in gross margin for the periods presented were primarily caused by changes in business volume.

Excluding non-recurring charges for restructuring, acquired in-process research and development and bad debt, operating expenses as a percentage of net sales for the three and nine months ended July 26, 1998 were 34.3 and 29.1 percent, respectively, versus 27.0 and 28.4 percent, respectively, for the corresponding periods of fiscal 1997. The increase as a percentage of net sales for the three month periods is primarily attributable to slightly higher operating expense levels and decreased business volume. The increase for the nine month periods is primarily attributable to increased research, development and engineering expenses in fiscal 1998 for new product development.

During the third fiscal quarter of 1998, the Company completed a voluntary separation plan and developed plans to consolidate certain facilities. These actions were in response to continued reductions in capital spending by semiconductor manufacturers. In connection with these actions, the Company recorded a pre-tax restructuring charge of $35 million, or $0.06 per diluted share after tax. The restructuring charge consisted of approximately $25 million for severance and benefits and $10 million for facility consolidations. During the third fiscal quarter of 1998, $6 million of cash was used for restructuring costs. The majority of the remaining cash outlays of approximately $29 million are expected to occur during the fourth fiscal quarter of 1998 (see footnote 6 to the consolidated condensed financial statements).

During the third fiscal quarter of 1997, the Company determined that its outstanding accounts receivable balance from Thailand-based Submicron Technology PCL ("SMT") was not collectible. Therefore, the Company repossessed systems previously sold to SMT and recorded $16.3 million of bad debt expense.

During the first fiscal quarter of 1998, the Company entered into an agreement with Trikon Technologies, Inc. for a non-exclusive, worldwide, perpetual license of MORI(TM) plasma source and Forcefill(TM) deposition technology. In connection with this transaction, the Company recognized approximately $32.2 million of acquired in-process research and development expense, including transaction costs. During the first fiscal quarter of 1997, the Company acquired two companies, Opal, Inc. and Orbot Instruments, Ltd. (Orbot), in separate transactions and recognized $59.5 million of acquired in-process research and development expense. With the exception of these charges, the transactions did not have a material effect on the Company's results of operations for the nine months ended July 26, 1998 or July 27, 1997.

During the first fiscal quarter of 1998, the Company settled all outstanding litigation with ASM International N.V. (ASM) and recorded $80 million of pre-tax non-operating income. As a result of this settlement, ASM is also required to pay ongoing royalties for certain system shipments subsequent to the date of the settlement. Ongoing royalties have not been, and are not expected to be, material.

During the third fiscal quarter of 1997, the Company settled certain outstanding litigation with Novellus Systems, Inc. In connection with this settlement, the Company received $80 million in damages from Novellus for past patent infringement. Novellus is also required to pay ongoing royalties for certain system shipments subsequent to the date of the settlement. Ongoing royalties have not been, and are not expected to be, material.

Interest expense for the three and nine months ended July 26, 1998 was $11 million and $35 million, respectively, compared to $5 million and $16 million, respectively, for the corresponding periods of fiscal year 1997. The increases are primarily due to interest expense associated with $400 million of debt issued by the Company during the fourth fiscal quarter of 1997.

Interest income for the three and nine months ended July 26, 1998 was $19 million and $58 million, respectively, compared to $15 million and $43 million, respectively, for the corresponding periods of fiscal 1997. The increases resulted primarily from higher average cash, cash equivalents and short-term investment balances.

The Company changed its effective income tax rate for fiscal 1998 from 35 percent to 34 percent. The effect of recording this change in the third fiscal quarter of 1998 was a favorable $5.7 million, or $0.02 per diluted share. The 34 percent effective income tax rate is attributable to several factors, including a shift in the geographic composition of pre-tax income to entities operating in countries with lower tax rates and the enactment of favorable tax legislation in certain jurisdictions in which the Company has significant operations. Management anticipates that the Company's effective income tax rate can be sustained at 34 percent going forward. The Company's effective income tax rate for the nine months ended July 27, 1997 was affected by the non-deductible $59.5 million charge for acquired in-process research and development.

The Company has a 50 percent ownership interest in Applied Komatsu Technology, Inc. (AKT), a joint venture corporation that develops thin film transistor manufacturing systems for Active-Matrix Liquid Crystal Displays (AMLCDs). The AMLCD market currently includes screens for laptop, notebook and palmtop computers, desktop monitors, digital/video cameras, portable televisions and instrument displays and may eventually include High Definition Television. The Company accounts for the joint venture using the equity method. AKT's operating results did not impact the Company's statement of operations for the third fiscal quarter of 1998. Due primarily to slower growth in the AMLCD market and the effect of difficult Asian business and banking conditions on customers' investment decisions, AKT's results of operations and financial condition have deteriorated significantly such that the Company and its joint venture partner may have to provide additional financing in the form of loans or loan guarantees. Accordingly, during the fourth fiscal quarter of 1998, the Company expects to record a loss of approximately $8 million, or $0.02 per diluted share, representing its share of AKT's net loss from operations.

Significant operations of the Company are conducted in foreign currencies, primarily Japanese yen. Forward exchange and currency option contracts are purchased to hedge certain existing firm commitments and foreign currency denominated transactions expected to occur during the next year. Gains and losses on these contracts are recognized in income when the related transactions being hedged are recognized. Because the effect of movements in currency exchange rates on forward exchange and currency option contracts generally offsets the related effect on the underlying items being hedged, these financial instruments are not expected to subject the Company to risks that would otherwise result from changes in currency exchange rates. Net foreign currency gains and losses did not have a significant effect on the Company's results of operations for the three and nine months ended July 26, 1998 or July 27, 1997.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition at July 26, 1998 improved, with a ratio of current assets to current liabilities of 3.4:1, compared to 2.7:1 at October 26, 1997. The Company ended the quarter with cash, cash equivalents and short-term investments of $1.6 billion.

The Company generated approximately $613 million of cash from operations during the first nine months of fiscal 1998. The primary sources of cash from operations were net income (plus non-cash charges for depreciation, amortization and acquired in-process research and development expense) of $661 million, a decrease in accounts receivable of $245 million and a decrease in inventories of $44 million. These sources were partially offset by an increase in other current assets of $105 million, a decrease in accounts payable and accrued expenses of $176 million, and a decrease in income taxes payable of $56 million.

Cash used for investing activities during the first nine months of fiscal 1998 was approximately $528 million, consisting primarily of net purchases of property, plant and equipment ($375 million) and short-term investments ($121 million), as well as the acquisition of licensed technology ($32 million).

Cash used for financing activities during the first nine months of fiscal 1998 was approximately $144 million, consisting of stock repurchases of $143 million and net debt repayments of $62 million, which were partially offset by proceeds from stock issuances of $61 million.

In response to the current industry downturn, the Company has reduced its estimated capital expenditures for fiscal 1998 to approximately $500 million, consisting primarily of investments in manufacturing and research facilities.

The Company is authorized to systematically repurchase shares of its common stock in the open market to reduce the dilution resulting from its stock-based employee benefit and incentive plans. This authorization is effective until the March 2001 Annual Meeting of Stockholders. The Company repurchased 4,453,000 shares of its common stock, at an average price of $32.11 per share, during the nine months ended July 26, 1998, for a total cash outlay of approximately $143 million.

As of July 26, 1998, the Company's principal sources of liquidity consisted of $1.6 billion of cash, cash equivalents and short-term investments and approximately $500 million of available credit facilities. The Company's liquidity is affected by many factors, some of which are based on the normal ongoing operations of the business, and others of which relate to the uncertainties of the semiconductor and semiconductor equipment industries and global economies. Although the Company's cash requirements will fluctuate based on the timing and extent of these factors, management believes that cash generated from operations, together with the liquidity provided by existing cash balances and borrowing capability, will be sufficient to satisfy the Company's liquidity requirements for the next twelve months.

TRENDS, RISKS AND UNCERTAINTIES

INDUSTRY VOLATILITY

The semiconductor industry has historically been cyclical and subject to sudden and sharp changes in supply and demand. The timing, length and severity of these cycles are difficult to predict. During periods of reduced and declining demand, the Company must be able to quickly and effectively align its cost structure with prevailing market conditions, and motivate and retain key employees. During periods of rapid growth, the Company must be able to acquire and/or develop sufficient manufacturing capacity to meet customer demand, and hire and assimilate a sufficient number of qualified people.

In response to the current industry downturn, the Company has taken a number of actions intended to align its cost structure with prevailing market conditions. Most recently, on August 25, 1998, the Company announced that it will initiate and complete a restructuring plan during the fourth fiscal quarter of 1998. As part of the restructuring plan, approximately 2,000 positions, or 15 percent of the Company's global workforce, were eliminated. The Company expects to incur a net loss for its fourth fiscal quarter ending October 25, 1998 as a result of non-recurring charges associated with the restructuring plan (see section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Events Subsequent to Quarter End" for further details). Also, during the third fiscal quarter of 1998, the Company completed a voluntary separation plan and developed plans to consolidate certain facilities (see section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations" for further details). The Company has also significantly restricted new hiring and utilized mandatory shutdown days. There can be no assurance that the objectives of these cost reduction programs will be achieved.

INDUSTRY OVERCAPACITY AND DEMAND SHIFTS IN THE PC INDUSTRY

The semiconductor industry is currently characterized by excess production capacity for the majority of device types, which has caused semiconductor manufacturers to further decrease their capital spending. In the PC market, a shift in demand from more expensive, high performance products to lower-priced products (sub-$1,000 PCs) has resulted in reduced profitability for semiconductor manufacturers, thereby delaying or decreasing their purchases of the Company's products. Continued overcapacity and strengthening demand for sub-$1,000 PCs could cause further delays or decreased demand for the Company's products.

ASIAN ECONOMIES

Asian countries, particularly Japan and Korea, continue to experience banking, currency and other difficulties that are contributing to economic slowdowns or recessions in those countries. The region does not appear to be responding quickly to significant efforts to stimulate its economies. If Asian economies remain stagnant or continue to deteriorate, capital investment by Asian customers could decrease from current levels. Customers in Japan and Korea have already canceled and delayed a significant amount of orders for the Company's products and may cancel or delay additional orders in the future. New orders and net sales to customers located in Asian countries for the third fiscal quarter of 1998 were 44 percent and 40 percent, respectively, of the Company's totals.

GLOBAL BUSINESS

Managing global operations and sites located throughout the world presents challenges associated with cultural diversities and organizational alignment. Moreover, each region in the global semiconductor equipment market exhibits unique characteristics that can cause capital equipment investment patterns to vary significantly from period to period. Although international markets provide the Company with significant growth opportunities, periodic economic downturns, trade balance issues, political instability and fluctuations in interest and foreign currency exchange rates are all risks that could affect global product and service demand.

APPLIED KOMATSU TECHNOLOGY, INC. JOINT VENTURE

The Company has a 50 percent ownership interest in Applied Komatsu Technology, Inc. (AKT), a joint venture corporation that develops thin film transistor manufacturing systems for Active-Matrix Liquid Crystal Displays (AMLCDs). The AMLCD market currently includes screens for laptop, notebook and palmtop computers, desktop monitors, digital/video cameras, portable televisions and instrument displays and may eventually include High Definition Television. The Company accounts for the joint venture using the equity method. AKT's financial condition and results of operations have deteriorated as a result of weaker demand for AMLCD fabrication equipment and difficult business conditions in Asia. Further deterioration could negatively affect the Company's results of operations.

BACKLOG

The Company's backlog was $1.0 billion as of July 26, 1998, compared to $1.4 billion as of April 26, 1998 and $1.6 billion as of January 25, 1998. The Company schedules production of its systems based upon order backlog and customer commitments. Backlog includes only orders for which written authorizations have been accepted and shipment dates within 12 months have been assigned. Due to possible customer changes in delivery schedules and cancellation of orders, the Company's backlog at any particular date is not necessarily indicative of actual sales for any succeeding period.

YEAR 2000

The Company has a formal Year 2000 Program Office focusing on four key readiness areas: 1) Internal Infrastructure Readiness, addressing internal hardware and software, and non-information technology systems; 2) Supplier Readiness, addressing the preparedness of those suppliers providing material incorporated into the Company's products; 3) Product Readiness, addressing product functionality; and 4) Customer Readiness, addressing customer support and transactional activity.

For each readiness area, the Company is systematically performing a global risk assessment, conducting testing and remediation (renovation and implementation), developing contingency plans to mitigate unknown risk, and communicating with employees, suppliers, customers and other third party business partners to raise awareness of the Year 2000 problem.

Internal Infrastructure Readiness Program: The Company, assisted by a third party, is conducting an assessment of internal applications and computer hardware. Some software applications have been made Year 2000 compliant, and resources have been assigned to address other applications based on their criticality and the time required to make them Year 2000 compliant. All software remediation is scheduled to be completed no later than July 1999. The Year 2000 compliance evaluation of hardware, including hubs, routers, telecommunication equipment, workstations and other items, is nearing completion.

In addition to applications and information technology hardware, the Company is testing and developing remediation plans for embedded systems, facilities and other operations, such as financial and banking systems.

Supplier Readiness Program: This program focuses on minimizing the risks associated with suppliers in two areas: 1) a supplier's business capability to continue providing products and services; and, 2) a supplier's product integrity. The Company has identified and contacted key suppliers based on their relative risks in these two areas. To date, the Company has received responses, most of which indicate that the suppliers are in the process of developing remediation plans, from the majority of its key suppliers. Based on the Company's assessment of each supplier's progress to adequately address the Year 2000 issue, the Company will develop a supplier action list and contingency plans. Supplier readiness issues that potentially affect the Company's product retrofit program discussed below are targeted to be addressed by December 1998.

Product Readiness Program: This program focuses on identifying and resolving Year 2000 issues existing in the Company's products. The program encompasses a number of activities including testing, evaluation, engineering, and manufacturing implementation. The Company has adopted the Sematech Year 2000 Readiness Testing Scenarios as the baseline for product testing. Customers are being notified of known risk areas and proposed remediation plans. The Company plans to make Year 2000 retrofits available to customers during the first calendar quarter of 1999, and to have retrofits installed in the field by June 1999. A contingency team will be available after June 1999 to assist customers experiencing difficulties with the Company's products.

Customer Readiness Program: This program focuses on customer support, including the coordination of retrofit activity, testing existing customer electronic transaction capability, and developing contingency plans where appropriate. The program is in the process of being developed.

The Company estimates that total Year 2000 costs will range from $30 million to $50 million, with the majority of costs to be incurred during the next six fiscal quarters. The Company is continuing its assessments and developing alternatives that will necessitate refinement of this estimate over time. There can be no assurance, however, that there will not be a delay in, or increased costs associated with, the programs described in this section.

Since the programs described in this section are ongoing, all potential Year 2000 complications have not yet been identified. Therefore, the potential impact of these complications on the Company's financial condition and results of operations cannot be determined at this time. If computer systems used by the Company or its suppliers, the product integrity of products provided to the Company by suppliers, or the software applications used in systems manufactured and sold by the Company, fail or experience significant difficulties related to the Year 2000, the Company's results of operations and financial condition could be materially affected.

FOREIGN CURRENCY

Significant operations of the Company are conducted in foreign currencies, primarily Japanese yen. The Company actively manages its exposure to changes in foreign currency exchange rates, but there can be no assurance that future changes in foreign currency exchange rates will not have a material effect on results of operations or financial condition.

TECHNOLOGICAL ADVANCES

The Company operates in a highly competitive industry characterized by increasingly rapid technological changes. The Company's future success is therefore dependent on its ability to develop new products, to qualify new products with its customers, to successfully introduce new products to the marketplace on a timely basis, to commence production to meet customer demands and to develop new markets in the semiconductor industry for its products and services. If the Company is unable, for whatever reason, to develop and introduce new products in a timely manner in response to changing market conditions or customer requirements, its results of operations could be adversely affected.

LITIGATION

The Company is currently involved in litigation regarding patents and other intellectual property rights (see Part II, Item 1) and could become involved in additional litigation in the future. In the normal course of business, the Company from time to time receives and makes inquiries with regard to possible patent infringement, and is subject to various other legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. There can be no assurance regarding the outcome of current or future litigation or patent infringement inquiries.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has performed an analysis to assess the potential effect of reasonably possible near-term changes in interest and foreign currency exchange rates. The effect of such rate changes is not expected to be material to the Company's results of operations, cash flows or financial condition. Net foreign currency gains and losses were not material for the three or nine months ended July 26, 1998.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In April 1997, the Company filed suit against AST Electronik GmbH and AST Electronik USA, Inc. (collectively AST), and AG Associates, Inc. (AG) in the United States District Court for the Northern District of California (case no. C-97-20375RWM), alleging infringement of several of the Company's patents relating to rapid thermal processing. Discovery has commenced and trial has been set for March 1999. In October 1997, AST and AG each filed counterclaims against the Company alleging patent infringement concerning related technology. Recently, AG filed additional counterclaims, alleging infringement of several patents. These additional counterclaims were dismissed by the court in July 1998. In response, in August 1998, AG filed two separate patent infringement lawsuits based on these same patents, one in the United States District Court for the Northern District of California (case no. C98-03044WHO) and one in the United States District Court for the District of Delaware (civil action no. 98-479). The Company believes it has meritorious claims and defenses, and intends to pursue them vigorously.

As a result of the Company's acquisition of Orbot, the Company is involved in a lawsuit captioned KLA Instruments Corporation (KLA) v. Orbot (case no. C93-20886-JW) in the United States District Court for the Northern District of California. KLA alleges that the Company infringes one patent regarding equipment for the inspection of masks and reticles, and seeks an injunction, damages and such other relief as the Court may find appropriate. There has been discovery, but no trial date has been set. Management believes that it has meritorious defenses and intends to pursue them vigorously.

On June 13, 1997, the Company filed a lawsuit against Varian Associates, Inc. captioned Applied Materials, Inc. v. Varian Associates, Inc. (Varian) (case no. C-97-20523-RMW), alleging infringement of several of the Company's patents concerning physical vapor deposition (PVD) technology. The complaint was later amended on July 7, 1997 to include Novellus Systems, Inc. (Novellus) as a defendant as a result of Novellus' acquisition of Varian's thin film systems PVD business. The Company seeks damages for past infringement, a permanent injunction, treble damages for willful infringement, pre-judgment interest and attorneys' fees. Varian answered the complaint by denying all allegations, counterclaiming for declaratory judgment of invalidity and unenforceability and alleging conduct in violation of antitrust laws. On June 23, 1997, Novellus filed a separate lawsuit against the Company captioned Novellus Systems, Inc. v. Applied Materials, Inc. (case no. C-97-20551-EAI), alleging infringement by the Company of three patents concerning PVD technology that were formerly owned by Varian. On July 8, 1997, Varian filed a separate lawsuit against the Company captioned Varian Associates, Inc. v. Applied Materials, Inc. (case no. C-97-20597-PVT), alleging a broad range of conduct in violation of federal antitrust laws and state unfair competition and business practice laws. Discovery has commenced in these actions, but no trial dates have been set. Management believes that it has meritorious claims and defenses and intends to pursue these matters vigorously.

The Company is subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Although the outcome of these claims cannot be predicted with certainty, management does not believe that any of these legal matters will have a material adverse effect on the Company's financial condition or results of operations.

ITEM 5. OTHER INFORMATION

The ratio of earnings to fixed charges for the nine months ended July 26, 1998 and July 27, 1997, and for each of the last five fiscal years, was as follows:

Nine Months Ended		Fiscal Year				
July 26, 1998	July 27, 1997	1997	1996	1995	1994	1993
12.39x	16.78x	18.96x	20.14x	21.25x	13.37x	7.61x

Stockholder proposals related to the Company's 1999 Annual Meeting of Stockholders, but submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934, must be received by the Company prior to December 26, 1998 in order to withhold authority of management proxies to use their discretionary voting authority with respect to any such proposal.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

3(i)(a)	Amendment to Articles of Incorporation dated March 27, 1998
3(i)(b)	Articles of Incorporation (as amended to March 27, 1998)
10.1	Amendment No. 1 to the Applied Materials, Inc. Executive Deferred Compensation Plan
10.2	Amendment No. 2 to the Applied Materials, Inc. Executive Deferred Compensation Plan
27.0	Financial Data Schedule for the nine months ended July 26, 1998: filed electronically

27.1 Restated Financial Data Schedules for the fiscal years ended October 26, 1997, October 27, 1996, and October 29, 1995, respectively: filed electronically

27.2 Restated Financial Data Schedules for the nine, six, and three month periods ended July 27, 1997, April 27, 1997, and January 26, 1997, respectively: filed electronically

27.3 Restated Financial Data Schedules for the nine, six, and three month periods ended July 28, 1996, April 28, 1996, and January 28, 1996, respectively: filed electronically

b) The Company did not file a report on Form 8-K during its third fiscal quarter of 1998.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APPLIED MATERIALS, INC.

September 9, 1998

By: /s/ Joseph R. Bronson

Joseph R. Bronson
Senior Vice President,
Office of the President,
Chief Financial Officer and
Chief Administrative Officer
(Principal Financial Officer)

By: /s/ Michael K. O'Farrell

Michael K. O'Farrell
Vice President,
Corporate Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

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EXHIBIT 3(i)(a)

APPLIED MATERIALS, INC.
CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

The undersigned, James C. Morgan and Donald A. Slichter, hereby certify that:

(1) They are the Chairman of the Board of Directors and Secretary, respectively, of Applied Materials, Inc., a Delaware corporation.

(2) The Certificate of Incorporation of this corporation is amended by deleting Section 1 of Article Fifth in its entirety and adding a new Section 1 of Article Fifth to such Certificate, to read as follows:

1. The corporation is authorized to issue two classes of shares to be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is One Million (1,000,000) and the number of shares of Common Stock authorized to be issued is One Billion One Hundred Million (1,100,000,000). The stock, whether Preferred Stock or Common Stock, shall have a par value of $.01 per share.

The amendment of the Certificate of Incorporation was duly adopted by the Board of Directors on December 11, 1997 and by the stockholders of the corporation on March 17, 1998, in accordance with the provisions of Section 242 of the General Corporation law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seal this 26th day of March 1998.

APPLIED MATERIALS, INC.

By: /s/ James C. Morgan

James C. Morgan

Attest: /s/ Donald A. Slichter

Donald A. Slichter

EXHIBIT 3(i)(b)

CERTIFICATE OF INCORPORATION

OF

APPLIED MATERIALS, INC.

(as amended to March 27, 1998)

FIRST: The name of the corporation is Applied Materials, Inc.

SECOND: The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The name and mailing address of the incorporator of the corporation is:

Donald A. Slichter
Orrick, Herrington & Sutcliffe
55 Almaden Boulevard
San Jose, California 95113

FOURTH: The nature of the business or purposes to be conducted or promoted by the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FIFTH:

1. The corporation is authorized to issue two classes of shares to be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is One Million (1,000,000) and the number of shares of Common Stock authorized to be issued is One Billion One Hundred Million (1,100,000,000). The stock, whether Preferred Stock or Common Stock, shall have a par value of $.01 per share.

2. The shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including but not limited to the fixing or alteration of the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of shares of Preferred Stock; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

SIXTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend and repeal from time to time any or all of the bylaws of the corporation, including bylaw amendments increasing or reducing the authorized number of directors.

SEVENTH: No action shall be taken by the stockholders except at an annual or special meeting of stockholders. No action shall be taken by stockholders by written consent.

EIGHTH: Elections of directors need not be by written ballot unless the bylaws of the corporation shall so provide.

NINTH:

1. The affirmative vote of the holders of not less than sixty-six and sixty-seven hundredths percent (66.67%) of the outstanding shares of "Voting Stock" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of this corporation or any subsidiary of this corporation with any "Related Person" (as hereinafter defined), notwithstanding the fact that no vote may be required or that a lesser percentage may be specified by law, in any agreement with any national securities exchange or otherwise; provided, however, that the sixty-six and sixty-seven hundredths percent (66.67%) voting requirement shall not be applicable and such Business Combination shall require only such affirmative vote as is required by law, any agreement with any national securities exchange or otherwise if:

(a) The "Continuing Directors" (as hereinafter defined) of this corporation by at least a majority vote have expressly approved such Business Combination either in advance of or subsequent to such Related Person becoming a Related Person; or

(b)All of the following conditions are met:

(i)The cash or "Fair Market Value" (as hereinafter defined) as of the date of the consummation of the Business Combination (the "Combination Date") of the property, securities or other consideration to be received per share by holders of a particular class or series of capital stock, as the case may be, of this corporation in the Business Combination is not less than the highest of:

(A) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Related Person in acquiring beneficial ownership of any of its holdings of such class or series of capital stock of this corporation (i) within the two-year period immediately prior to the Combination Date or (ii) in the transaction or series of transactions in which the Related Person became a Related Person, whichever is higher; or

(B) the Fair Market Value per share of the shares of capital stock being acquired in the Business Combination (i) as of the Combination Date or (ii) the date on which the Related Person became a Related Person, whichever is higher; or

(C) in the case of Common Stock, the per share book value of the Common Stock as reported at the end of the fiscal quarter immediately prior to the Combination Date, and in the case of Preferred Stock, the highest preferential amount per share to which the holders of shares of such class or series of Preferred Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation, regardless of whether the Business Combination to be consummated constitutes such an event.

The provision of this paragraph l(b)(i) shall be required to be met with respect to every class or series of outstanding capital stock, whether or not the Related Person has previously acquired any shares of a particular class or series of capital stock. In all of the above instances, appropriate adjustments shall be made for recapitalizations and for stock dividends, stock splits and like distributions; and

(ii) The consideration to be received by holders of a particular class or series of capital stock shall be in cash or in the same form as previously has been paid by or on behalf of the Related Person in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of stock. If the consideration so paid for any such shares varied as to form, the form of consideration for such shares shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of capital stock previously acquired by the Related Person; and

(iii)After such Related Person has become a Related Person and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) such Related Person shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Related Person becoming a Related Person; and

(iv) After such Related Person has become a Related Person, such Related Person shall not have received the benefit, directly or indirectly (except as proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

2. For purposes of this Article NINTH:

(a) The term "Business Combination" shall mean any (i) merger or consolidation of this corporation or a Subsidiary (as hereinafter defined) of this corporation with a Related Person or any other corporation which is or after such merger or consolidation would be an "Affiliate" or "Associate" (as hereinafter defined) of a Related Person, (ii) sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) with any Related Person or any Affiliate or Associate of any Related Person, of all or any "Substantial Part" (as hereinafter defined) of the assets of this corporation or of a Subsidiary of this corporation to a Related Person or any Affiliate or Associate of any Related Person, (iii) adoption of any plan or proposal for the liquidation or dissolution of this corporation proposed by or on behalf of a Related Person or any Affiliate or Associate of any Related Person, (iv) sale, lease, exchange or other disposition, including without limitation a mortgage or other security device, of all or any Substantial Part of the assets of a Related Person or any Affiliate or Associate of any Related Person to this corporation or a Subsidiary of this corporation, (v) issuance or pledge of securities of this corporation or a Subsidiary of this corporation to or with a Related Person or any Affiliate or Associate of any Related Person, (vi) reclassification of securities (including any reverse stock split) or recapitalization of this corporation or any other transaction that would have the effect, either directly or indirectly, of increasing the proportionate share of any class of equity or convertible securities of this corporation or any Subsidiary of this corporation which is directly or indirectly beneficially owned by any Related Person or any Affiliate or Associate of any Related Person, and (vii) agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

(b) The term "person" shall mean any individual, firm, corporation or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Voting Stock of this corporation.

(c) The term "Related Person" shall mean any person (other than this corporation, or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of this corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) is the beneficial owner (as hereinafter defined) of fifteen percent (15%) or more of the Voting Stock;

(ii) is an Affiliate or Associate of this corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of fifteen percent (15%) or more of the Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to such time beneficially owned by any Related Person, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(d) A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly,

(ii) which such person or any of its Affiliates or Associates has, directly or indirectly, (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(e) For the purposes of determining whether a person is a Related Person pursuant to subparagraph (c) of this paragraph 2, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph (d) of this paragraph 2 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(f)The terms "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 12, 1987.

(g) The term "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by this corporation; provided, however, that for the purposes of the definition of Related Person set forth in subparagraph (c) of this paragraph 2, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity securities is owned, directly or indirectly, by this corporation.

(h) The term "Continuing Director" means any member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Affiliate, Associate or a representative of the Related Person involved in a proposed Business Combination and was a member of the Board of Directors prior to the time that the Related Person became a Related Person, and any successor of a Continuing Director, while such successor is a member of the Board of Directors, who is not an Affiliate, Associate or a representative of the Related Person and is recommended or elected to succeed a Continuing Director by a majority of Continuing Directors. Each initial director of this corporation elected by the incorporator of this corporation shall be a Continuing Director for purposes of this Article NINTH.

(i) The term "Substantial Part" shall mean more than twenty percent (20%) of the Fair Market Value, as determined by a majority of the Continuing Directors, of the total consolidated assets of this corporation and its Subsidiaries taken as a whole as of the end of its most recent fiscal year ended prior to the time the determination is being made.

(j) For the purposes of paragraph l(b)(i) of this Article NINTH, the term "other consideration to be received" shall include, without limitation, capital stock retained by the shareholders.

(k) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock and the outstanding shares of Preferred Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares voting as one class.

(l) The term "Fair Market Value" means (i) in case of capital stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Act of 1934 on which such stock is listed, or, if such stock is not listed on any such stock exchange, the highest closing sale price with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any successor system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Continuing Directors; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

(m) A Related Person shall be deemed to have acquired a share of the Voting Stock of this corporation at the time when such Related Person became the beneficial owner thereof. If a majority of the Continuing Directors is not able to determine the price at which a

Related Person has acquired a share of Voting Stock of this corporation, such price shall be deemed to be the Fair Market Value of the shares in question at the time when the Related Person became the beneficial owner thereof. With respect to shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Related Person under the foregoing definition of Related Person, the price deemed to be paid therefor by such Related Person shall be the price paid upon the acquisition thereof by such Affiliate, Associate or other person, or, if such price is not determinable by a majority of the Continuing Directors, the Fair Market Value of the shares in question at the time when the Affiliate, Associate or other such person became the beneficial owner thereof.

3. The fact that any Business Combination complies with the provisions of paragraph l(b) of this Article NINTH shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of this corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

4. A majority of the Continuing Directors of the corporation shall have the power and duty to determine for the purposes of this Article NINTH, on the basis of information known to them after reasonable inquiry, (A) whether a person is a Related Person, (B) the number of shares of Voting Stock beneficially owned by any person, and (C) whether a person is an Affiliate or Associate of another. A majority of the Continuing Directors of the corporation shall have the further power to interpret all of the terms and provisions of this Article NINTH.

TENTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

ELEVENTH:

1. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee or agent, of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such

person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph 2 hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right.

2. If a claim under paragraph 1 of this Article is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed.

3. The right to indemnification conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

4. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles NINTH, TENTH, ELEVENTH and TWELFTH may not be amended or repealed in any respect unless such amendment or repeal is approved by the affirmative vote of not less than sixty-six and sixty-seven hundredths percent (66.67%) of the total voting power of all outstanding shares of stock in this corporation entitled to vote thereon.

THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of the Delaware Corporation Law, does hereby make and file this Certificate.

/s/ Donald A. Slichter

Donald A. Slichter

EXHIBIT 10.1

AMENDMENT NO. 1 TO THE
APPLIED MATERIALS, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

APPLIED MATERIALS, INC., having adopted the Applied Materials, Inc. Executive Deferred Compensation Plan (the "Plan") effective as of July 1, 1993, and having amended and restated the Plan effective as of April 1, 1995, hereby further amends the Plan as follows:

1. Effective as of August 1, 1997, Section 1.11 is amended in its entirety to read as follows:

1.11 "Eligible Employee" shall mean an employee of an Employer who holds office at the level of Managing Director or above.

2. Effective as of January 1, 1998, Section 3.3 is amended to read in its entirety as follows:

3.3 Deemed Interest on Accounts. Each Participant's Account shall be credited with deemed interest as of the end of each pay period. The rate for crediting deemed interest as of the end of any pay period shall be equal to one twenty-sixth (1/26th) of the "Deferral Interest Rate" for that Plan Year. The Deferral Interest Rate for a particular Plan Year shall apply to all amounts then credited to the Participant's Account, without regard to when the amounts (whether attributable to Compensation Deferrals or deemed interest) originally were credited to the Account. The Deferral Interest Rate for a particular Plan Year is the sum of (a) the yield-to-maturity of five-year U.S. Treasury notes as of the first business day of the December immediately preceding such Plan Year, plus (b) 1.50%. The exact amount to be credited as deemed interest to any Participant's Account shall be determined by the Committee under such formulae (consistent with this Section 3.3) as the Committee, in its discretion, shall adopt from time to time.

3. Effective as of August 1, 1997, the last sentence of Section 3.4 is amended to read in its entirety as follows:

A Participant's election as to the form of payment shall apply to all amounts credited to the Participant's Account for the Plan Year with respect to which the election is made, and except to the limited extent provided in Section 3.6, shall be irrevocable.

4. Effective as of August 1, 1997, new Sections 3.5 and 3.6 are added to read in their entirety as follows:

3.5 TERM OF DEFERRAL. Each Participant shall indicate on his or her deferral election made pursuant to Section 3.1 the time for payment for Compensation Deferrals (and deemed interest thereon) made pursuant to such election. Pursuant to such procedures as the Committee (in its discretion) may adopt from time to time, a Participant may elect a term of deferral equal to any whole number (not less than one) of calendar years specified in his or her deferral election or the occurrence of a specific event (for example, the attainment of age 50). The procedures adopted by the Committee may (in the discretion of the Committee) restrict a Participant's ability to elect multiple terms of deferral under the Plan. A Participant's election as to the term of deferral shall apply to all amounts credited to the Participant's Account for the Plan Year with respect to which the election is made, and except to the limited extent provided in Section 3.6, shall be irrevocable.

3.6 CHANGES IN ELECTIONS AS TO TERM AND FORM FOR PAYMENT. A Participant may change his or her election under Section 3.4 and/or Section 3.5 for amounts credited to the Participant's Account for any Plan Year, provided that any such election will be effective only if (a) such election is made at least two Plan Years prior to the Plan Year in which payment of such amounts is scheduled to commence (without giving effect to such election), (b) the newly elected scheduled payment commencement date is not earlier than the second Plan Year after the Plan Year in which such election is made, and (c) payment of such amounts has not actually commenced. For example, if a Participant initially elected to receive payment of his or her Account in a lump sum to be paid during the 2003 Plan Year, the Participant instead may elect to receive payment in the form of ten annual installments commencing during the 2004 Plan Year, provided that such election is made on or before December 31, 2001. (i.e., not less than two Plan Years prior to the Plan Year in which payment of such amounts previously was scheduled to commence, and with a newly elected scheduled payment commencement date which is not earlier than the second Plan Year after the Plan Year in which such election is made).

5. Effective as of August 1, 1997, Section 5.1 is amended to read in its entirety as follows:

5.1 Normal Time for Distribution.

5.1.1 General Rule. Subject to this Section 5.1 and Sections 5.2, 5.3, and 5.8, distribution of the balance credited to a Participant's Account shall commence as soon as administratively practicable after the end of the term(s) of deferral elected by the Participant under Section 3.5, in accordance with the following rules. If, pursuant to Section 3.4, the Participant elected to receive annual installment payments, his or her first installment shall be equal to the balance then credited to his or her Account, divided by the number of installments to be made. Each subsequent annual installment shall be paid to the Participant as near as administratively practicable to each anniversary of the first installment payment. The amount of each subsequent installment shall be equal to the balance then credited to the Participant's Account, divided by the number of installments remaining to be made. While a Participant's Account is in installment payout status, the unpaid balance credited to the Participant's Account shall continue to be credited with deemed interest under Section 3.3.

5.1.2 Special Rule re Deductibility. Notwithstanding any contrary provision of Section 5.1.1, any payment scheduled for a particular Plan Year shall not be made in such Plan Year to the extent necessary to avoid application of the deductibility limitation of section 162(m) of the Code. (For this purpose, deductibility shall be determined by adding such payment to all other compensation paid by the Company and its Affiliates to the Participant during the Plan Year.) If, pursuant to the foregoing sentences, any amounts are not paid when originally scheduled, such amounts shall be paid in the first subsequent taxable year in which such payments would not be subject to the deductibility limitation of section 162(m) of the Code. During any such delay in payment, unpaid amounts shall continue to be credited with deemed interest under Section 3.3. Notwithstanding the foregoing, distribution of a Participant's Account shall be made without regard to the deductibility limitation of section 162(m) of the Code if the time for distribution is accelerated pursuant to Section 5.2 or Section 5.3.

5.1.3 Latest Permissible Distribution Commencement Date. Notwithstanding any contrary provision of this Section 5.1.1, if distribution of any portion of a Participant's Account has not commenced on the date on which the Participant terminates employment with the Company and all of its Affiliates, such distribution shall commence within 90 days of the date of such termination.

6. Effective as of August 1, 1997, Section 7.4 is amended by deleting the word "and" at the end of subsection (l), replacing the "." at the end of subsection (m) with "; and", and adding a new subsection (n) in its entirety to read as follows:

(n) To determine the manner and form for making elections under the Plan.

IN WITNESS WHEREOF, Applied Materials, Inc., by its duly authorized officer, has executed this Amendment No. 1 on the date indicated below.

APPLIED MATERIALS, INC.

Dated: August 27, 1998

By /s/ SEITARO ISHII

SEITARO ISHII
Group Vice President,
Global Human Resources

EXHIBIT 10.2

AMENDMENT NO. 2 TO THE APPLIED MATERIALS, INC. EXECUTIVE DEFERRED COMPENSATION PLAN

APPLIED MATERIALS, INC., having adopted the Applied Materials, Inc. Executive Deferred Compensation Plan (the "Plan") effective as of July 1, 1993, and having amended and restated the Plan effective as of April 1, 1995, hereby further amends the Plan, effective as of December 1, 1997, by amending Section 2.1.4 in its entirety to read as follows:

> 2.1.4 Separate Election to Defer Bonuses. Each Eligible Employee who makes an election under this Section 2.1 shall make a separate Compensation Deferral election with respect to the bonus portion of his or her Compensation. An Eligible Employee's Compensation Deferral election with respect to his or her bonus shall be made no later than December 31 of the Company's fiscal year during which the Eligible Employee will perform the services for which a bonus may be paid.

IN WITNESS WHEREOF, Applied Materials, Inc., by its duly authorized officer, has executed this Amendment No. 2 on the date indicated below.

APPLIED MATERIALS, INC.

Dated: August 27, 1998

By /s/ SEITARO ISHII

SEITARO ISHII
Group Vice President,
Global Human Resources

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED JULY 26, 1998.

1,000

9-MOS
OCT-25-1998
JUL-26-1998
387,057
1,215,710
814,883
0
632,513
3,583,178
1,884,702
650,551
5,039,756
1,057,345
611,812
0
0
3,676
3,256,527
5,039,756
884,491
884,491
490,102
490,102
154,044
0
11,282
63,368
15,851
47,517
0
0
0
47,517
0.13
0.13

ITEM IS SHOWN NET OF ALLOWANCE, CONSISTENT WITH BALANCE SHEET PRESENTATION.
ITEM CONSISTS OF RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSES.
ITEM CONSISTS OF BASIC EARNINGS PER SHARE.

5

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

YEAR	YEAR	YEAR
OCT-26-1997	OCT-27-1996	OCT-29-1995
OCT-26-1997	OCT-27-1996	OCT-29-1995
448,043	403,888	285,845
1,094,912	633,744	483,487
1,116,463	826,553	820,747
5,578	4,169	3,017
686,451	478,552	427,413
3,770,357	2,693,069	2,311,613
1,565,755	1,265,646	859,663
499,702	346,608	228,917
5,070,766	3,637,987	2,965,379
1,402,088	935,227	861,731
623,090	275,485	279,807
0	0	0
0	0	0
3,672	3,605	3,584
2,938,499	2,366,820	1,779,919
5,070,766	3,637,987	2,965,379
4,074,275	4,144,817	3,061,881
4,074,275	4,144,817	3,061,881
2,173,350	2,195,078	1,652,033
2,173,350	2,195,078	1,652,033
567,612	481,394	329,676
2,433	1,548	2,138
20,705	20,733	21,401
798,921	922,436	698,543
300,447	322,851	244,490
498,474	599,585	454,053
0	0	0
0	0	0
0	0	0
498,474	599,585	454,053
1.37	1.67	1.32
1.32	1.63	1.28

ITEM CONSISTS OF BASIC EARNINGS PER SHARE.
ITEM RETROACTIVELY RESTATED TO REFLECT A TWO-FOR-ONE STOCK SPLIT IN THE FORM OF A 100 PERCENT STOCK DIVIDEND, EFFECTIVE OCTOBER 13, 1997.
ITEM CONSISTS OF RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSES.

5

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

9-MOS	6-MOS	3-MOS
OCT-26-1997	OCT-26-1997	OCT-26-1997
JUL-27-1997	APR-27-1997	JAN-26-1997
213,064	202,660	369,358
890,659	872,190	697,081
942,306	807,181	765,569
0	0	0
608,988	507,632	441,681
3,045,519	2,751,310	2,620,207
967,181	900,041	912,729
0	0	0
4,249,419	3,891,861	3,778,485
1,231,363	1,051,072	1,002,978
228,095	227,808	233,677
0	0	0
0	0	0
3,646	3,630	3,622
2,669,953	2,501,750	2,428,572
4,249,419	3,891,861	3,778,485
2,793,879	1,736,638	835,776
2,793,879	1,736,638	835,776
1,509,310	950,965	464,120
1,509,310	950,965	464,120
392,345	248,465	116,492
0	0	0
15,586	10,735	5,800
521,792	234,667	77,542
203,453	102,959	47,965
318,339	131,708	29,577
0	0	0
0	0	0
0	0	0
318,339	131,708	29,577
0.88	0.36	0.08
0.85	0.35	0.08

ITEM CONSISTS OF BASIC EARNINGS PER SHARE.
ITEM RETROACTIVELY RESTATED TO REFLECT A TWO-FOR-ONE STOCK SPLIT IN THE FORM OF A 100 PERCENT STOCK DIVIDEND, EFFECTIVE OCTOBER 13, 1997.
ITEM SHOWN NET OF ALLOWANCE, CONSISTENT WITH THE BALANCE SHEET PRESENTATION.
ITEM SHOWN NET OF DEPRECIATION, CONSISTENT WITH THE BALANCE SHEET PRESENTATION.
ITEM CONSISTS OF RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSES.

5

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	6-MOS	3-MOS
OCT-27-1996	OCT-27-1996	OCT-27-1996
JUL-28-1996	APR-28-1996	JAN-28-1996
238,848	199,993	266,880
548,736	442,405	545,725
973,984	1,020,737	932,297
0	0	0
533,331	556,584	479,662
2,578,333	2,500,223	2,504,677
881,318	808,547	713,730
0	0	0
3,485,253	3,333,817	3,242,511
859,414	885,947	969,573
280,499	282,156	279,576
0	0	0
0	0	0
3,596	3,588	3,588
2,289,108	2,112,515	1,939,612
3,485,253	3,333,817	3,242,511
3,283,859	2,168,435	1,040,580
3,283,859	2,168,435	1,040,580
1,713,792	1,130,344	543,780
1,713,792	1,130,344	543,780
363,532	235,270	110,352
0	0	0
14,897	10,085	5,168
810,019	549,918	264,040
283,506	192,471	92,414
526,513	357,447	171,626
0	0	0
0	0	0
0	0	0
526,513	357,447	171,626
1.47	1.00	0.48
1.43	0.97	0.47

ITEM CONSISTS OF BASIC EARNINGS PER SHARE.
ITEM RETROACTIVELY RESTATED TO REFLECT A TWO-FOR-ONE STOCK SPLIT IN THE FORM OF A 100 PERCENT STOCK DIVIDEND, EFFECTIVE OCTOBER 13, 1997.
ITEM SHOWN NET OF ALLOWANCE, CONSISTENT WITH THE BALANCE SHEET PRESENTATION.
ITEM SHOWN NET OF DEPRECIATION, CONSISTENT WITH THE BALANCE SHEET PRESENTATION.
ITEM CONSISTS OF RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSES.