SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 29, 1998

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ________________ to ________________

Commission file number 1-5560

ALPHA INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	04-2302115 (I.R.S. Employer Identification No.)
20 SYLVAN ROAD, WOBURN, MASSACHUSETTS (Address of principal executive offices)	01801 (Zip Code)
Registrant's telephone number, including area code:	(781) 935-5150

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.25 par value

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 ____________________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant at May 24, 1998 was approximately $156,109,000.

The number of shares of Common Stock outstanding at May 24, 1998 was 10,475,714.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement, to be filed within 120 days of the end of the Registrant's fiscal year are incorporated by reference into Part III of this Report.

The Exhibit Index is located on page 40.

PART I

ITEM 1 BUSINESS

BUSINESS GROUPS

The Company operates in one business segment which is organized around three operating groups. The Wireless Semiconductor Products group and the Application Specific Products group are both located at the Company's corporate headquarters outside Boston, Massachusetts while the Ceramic Products group is located in Maryland. The following lists the three groups with their primary products and markets:

GROUPS	PRIMARY PRODUCTS	PRIMARY MARKETS
WIRELESS SEMICONDUCTOR PRODUCTS	GaAs RF Integrated Circuits Discrete Semiconductors	Wireless Telephony (Predominantly Handsets) TV Distribution
APPLICATION SPECIFIC PRODUCTS (ASP)	Discrete Semiconductors Components	Satellite Communications Telecommunications Space Defense
CERAMIC PRODUCTS	Electrical Ceramics Ferrite Material	Wireless Infrastructure Other Wireless

WIRELESS SEMICONDUCTORS PRODUCTS

The Wireless Semiconductor Products group manufactures GaAs integrated circuits and discrete components on a high volume, low cost basis. With 360 employees and a high capacity GaAs fab capable of producing both Metal Semiconductor Field Effect Transistors (MESFET) and Pseudomorphic High Electron Mobility Transistor (PHEMT) wafers, the Wireless Semiconductor Products group is the growth leader in the Company's strategy. The Company has decided to manufacture its next generation products with PHEMT process technology. The advantages of PHEMT include a lower material cost, gate lengths as low as 0.15 micron and excellent RF performance, especially efficiency, at supply voltages well below 3 volts. This latter characteristic is essential to reducing phone size and increasing talk time.

The Wireless Semiconductor Products group sells its products to most major handset manufacturers, including Motorola, Ericsson, Nokia, Philips Consumer Communications, Nortel, Siemens and others. Approximately 75% of the Company's R&D expenditures are focused on this group. The Company's products are used in all major air interfaces, including the leading digital standards, GSM, CDMA and TDMA, and in the analog AMPS standard widely used in North America and Latin America.

APPLICATION SPECIFIC PRODUCTS

The Application Specific Products (ASP) group manufactures discrete semiconductors and components for base station equipment, satellite communications systems (both in space and on the ground), data communications, and defense markets. Typical products from the ASP group include GaAs integrated circuits in ceramic packages, custom silicon and discrete GaAs components. While the Wireless Semiconductor group's products are high volume and low cost, ASP products are moderate in volume, higher cost and generally more complex. The ASP group currently employs approximately 210 people.

CERAMIC PRODUCTS

The Ceramic Products group, located in Maryland with 260 employees, manufactures ceramic-based products that improve signal selection and filtering. These products include dielectric and coaxial resonators, ceramic filters and other products based on magnetic materials, principally ferrites. Ceramic products are used in base station infrastructure equipment, TV distribution, DBS, radar detectors, other satellite systems, GPS and defense applications.

The following table summarizes the Company's market applications in its three groups:

MARKETS	WIRELESS SEMICONDUCTOR PRODUCTS	APPLICATION SPECIFIC PRODUCTS	CERAMIC PRODUCTS
Wireless Handset	X		
Wireless Infrastructure	X	X	X
TV Distribution and Set Top Boxes	X		
TV Distribution and Multimedia	X		X
Satellite Communications (Payload)		X	
Satellite Communications (Ground)		X	X
Satellite Communications (Handsets)	X		X
Telecommunications	X	X	X
Global Positioning Satellite Systems	X		X
Defense		X	X

MARKETS AND DISTRIBUTION

During fiscal 1998, approximately 82% of the Company's sales were to manufacturers of commercial products, primarily in the wireless communications markets and include components for products such as wireless telephones and base stations. The remaining 18% of sales were for use in a wide variety of defense-related systems.

Export sales to non-affiliates for fiscal 1998, 1997, and 1996 were $39.2 million, $26.7 million, and $23.6 million, respectively. This compares with domestic sales for the same period of $70.9 million, $53.2 million, and $66.1 million, respectively. During fiscal 1998, 1997, and 1996 the Company operated a sales subsidiary in the United Kingdom. At the end of fiscal 1997, the Company sold its ceramic manufacturing operation in France. During fiscal 1996, the Company closed its sales subsidiary in Germany and replaced it with an independent sales representative and distributor. See Note 2 to the Consolidated Financial Statements on page 27 for financial information about the Company's foreign and domestic operations.

The Company's sales are made through 13 independent domestic sales representatives and 21 independent international sales representatives, as well as through its own sales force of 44 persons. Approximately 19% of the Company's sales are made through its own direct sales force and 81% through sales representatives.

RESEARCH AND DEVELOPMENT

The Company's products and markets are subject to continued technological advances. Recognizing this, the Company has maintained a high level of R&D activities to remain competitive in certain areas and to be an industry leader in other areas.

Company sponsored R&D expenditures for fiscal 1998, 1997, and 1996 were $10.0 million, $9.5 million, and $9.1 million, respectively. With the Company's conversion to commercial markets, customer sponsored R & D was not material in amount for fiscal 1998 or 1997 but was $4.2 million in fiscal 1996. This decrease was the result of a shift away from defense related contracts.

RAW MATERIALS

Raw materials for the Company's products and manufacturing processes are generally available from several sources. It is the Company's policy not to depend on a sole source of supply. However, there are limited situations where the Company procures certain components and services for its products from single or limited sources. The Company purchases these materials and services on a purchase order basis, does not carry significant inventories and does not have any long-term supply contracts with its source vendors. The inability of the Company to obtain these materials in required quantities would result in significant delays or reductions in product shipments, which would materially and adversely affect the Company's operating results.

WORKING CAPITAL

The business of the Company is not seasonal, and there are no special practices with respect to working capital for the Company or the industry in general. The Company provides a limited warranty on its products against defects in material and workmanship. Payment terms are 30 days in the domestic market and generally 60 days in foreign markets.

CONTRACTS

During fiscal 1998, one customer, Motorola, Inc., accounted for approximately 25% of the Company's total sales and no other single customer accounted for 10% or more of the Company's total sales. The 18% of the Company's sales that were to the United States Government and prime contractors and subcontractors thereof are subject to termination at the convenience of the Government, in which event the Company would normally be reimbursed for costs incurred. While U.S. Government orders are canceled in this manner, the Company has seldom experienced any material terminations for convenience.

COMPETITIVE CONDITIONS

The Company competes on the basis of price, performance, quality, reliability, size, ability to meet delivery requirements and customer service and support. The Company experiences intense competition worldwide from a number of multinational companies that offer a variety of competitive products and broader product lines, and which have substantially greater financial resources and production, marketing, manufacturing, engineering and other capabilities than the Company. The Company also faces competition from a number of smaller companies. In addition, the Company's customers, particularly its largest customers, may have or could acquire the capability to develop or manufacture products competitive with those that have been or

may be developed or manufactured by the Company.

PATENT AND TRADEMARKS

The Company owns a small number of patents and has other patent applications under preparation or pending. However, the Company believes that its technological position depends primarily on the ability to develop new innovative products through the technical competence of its engineering personnel.

BACKLOG

The Company's backlog of undelivered orders on March 29, 1998 was approximately $36.8 million compared with $32.5 million on March 30, 1997. The Company's policy is to record commercial orders on a quarterly basis consistent with expected customer short-term requirements. Management believes all orders in the Company's backlog to be firm. At least 90% of the March 29, 1998 backlog is anticipated to be shipped in fiscal 1999.

ENVIRONMENTAL REGULATIONS

In the Company's opinion, compliance with federal, state, and local environmental protection regulations does not and will not have a material effect on the capital expenditures, earnings, and competitive position of the Company.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of the Company at May 31, 1998.

NAME	AGE	POSITION
George S. Kariotis	75	Chairman of the Board of Directors
Thomas C. Leonard	63	Director, President and Chief Executive Officer
Paul E. Vincent	50	Vice President, Chief Financial Officer and Treasurer
David J. Aldrich	41	Vice President
Jean Pierre Gillard	54	Vice President
Richard Langman	51	Vice President, President of Trans-Tech, Inc.
James C. Nemiah	44	Secretary, Corporate Counsel

All officers serve until the next Board of Directors meeting following the Annual Meeting of Stockholders scheduled for September 14, 1998, or until their successors are elected and qualified. No officer was elected pursuant to any arrangement or understanding.

Mr. Kariotis was Chairman of the Board and Chief Executive Officer from 1962 (when the Company was founded) until 1978, and, from 1974 to 1978, he was also Treasurer of the Company. From 1979 to 1983, Mr. Kariotis was the Secretary of Manpower Development and Economic Affairs for the Commonwealth of Massachusetts. He was re-elected Chairman of the Board of the Company in 1983 and Chief Executive Officer in 1985. Mr. Kariotis resigned as Chief Executive Officer in July 1986 while he campaigned for public office. He resumed his position as Chief Executive Officer in November 1986, and served in that capacity until 1991.

Mr. Leonard joined the Company in 1992 as General Manager of the Components and Systems Division. He became the General Manager of Operations for the Alpha Microwave Division effective January 1994 and was elected Vice President in 1994. Mr. Leonard was elected President, Chief Executive Officer and Director in July 1996. Mr. Leonard has over 30 years experience in the microwave industry, having held a series of general managerial and marketing positions at M/A-COM, Inc., from 1972 to 1992 and prior to 1972 at Varian Associates and Sylvania.

Mr. Vincent joined the Company in 1979 and was the Controller from 1979 to 1997. In January 1997, Mr. Vincent was appointed Vice President, Chief Financial Officer and Treasurer. Mr. Vincent is a Certified Public Accountant.

Mr. Aldrich joined the Company in 1995 as Vice President, Chief Financial Officer and Treasurer. In May 1996 Mr. Aldrich was also appointed General Manager of Alpha Microwave Division. In January 1997, he relinquished his positions as Chief Financial Officer and Treasurer. From 1989 to 1995, Mr. Aldrich held several positions at M/A-COM, Inc., including Manager Integrated Circuits Active Products, Corporate Vice President Strategic Planning, Director of Finance and Administration, and Director of Strategic Initiatives with the Microelectronics Division. Prior to joining M/A-COM, Inc., Mr. Aldrich was Controller with Adams Russell Electronics Company from 1984 to 1989 and a project leader for a NASA satellite communications program with Space Communications Company (a Fairchild Industries and Contel Inc. Partnership) from

1981 to 1983. Mr. Aldrich is a Director of Microwave Power Devices, Inc., a wireless high-power amplifier company.

Mr. Gillard joined the Company in 1992 as Director of GaAs IC Products. In June 1996, he was named as the Company's Vice President of Business Development. Before joining the Company, Mr. Gillard held a number of Vice President positions at M/A-COM, Inc. in Sales, Marketing and Business Development. Mr. Gillard received his engineering education at Ecole Central d'Electronique, Paris, France and his business training at the Massachusetts Institute of Technology's Sloan School.

Mr. Langman joined the Company in January 1997, as Vice President of Alpha Industries, Inc., and President and General Manager of Trans-Tech, Inc. Prior to joining the Company, Mr. Langman worked for Coors Ceramics Company for 23 years, holding senior executive positions in operations and sales. Mr. Langman received his B.S. in Ceramic Engineering from Alfred University and his M.S. in Metallurgy and Material Science from Lehigh University.

Mr. Nemiah joined the Company in November 1995 as Corporate Counsel and Assistant Secretary. He was named Secretary in September 1996. Prior to joining the Company, Mr. Nemiah was at American Science and Engineering from 1987 to 1995, holding the positions of Vice President, General Counsel and Clerk.

EMPLOYEES

As of March 29, 1998, the Company and its subsidiaries employed approximately 840 persons, compared with 800 persons as of March 30, 1997.

ITEM 2 PROPERTIES

The following information describes the major facilities owned and leased by the Company. The Company believes it has adequate production capacity to meet its current business needs but is adding required capacity over the next 12 to 18 months to better serve the wireless market as demand continues to grow. As described in Note 4 to the Consolidated Financial Statements on pages 29 and 30, several properties secure debt of the Company.

ITEM 2 PROPERTIES (CONTINUED)

a) The Company owns a 158,000 square foot plant plus eight acres of land at 20 Sylvan Road, Woburn, Massachusetts. This plant is occupied by the Wireless Semiconductor and Application Specific manufacturing operations and corporate headquarters.

b) The Company owns a 92,000 square foot facility in Adamstown, Maryland. This plant is occupied by the Company's wholly owned subsidiary, Trans-Tech, Inc., and is utilized as the Company's primary ceramic products manufacturing facility.

c) The Company leases a 33,000 square foot facility in Frederick, Maryland. This plant is used by the Company's wholly owned subsidiary, Trans-Tech, Inc., to manufacture ceramic filters.

d) The Company leases 60,000 square feet of space in Frederick, Maryland. This facility is currently substantially unoccupied and the Company is seeking a sub-tenant for the entire facility.

ITEM 3 LEGAL PROCEEDINGS

The Company does not have any material pending legal proceedings other than routine litigation incidental to its business.

The Company has been notified by federal and state environmental agencies of its potential liability with respect to the Spectron, Inc. Superfund site in Elkton, Maryland. Several hundred other companies have also been notified about their potential liability regarding this site. The Company continues to deny that it has any responsibility with respect to this site other than as a *de minimis* party. Management is of the opinion that the outcome of the aforementioned environmental matter will not have a material effect on the Company's operations.

See also Note 9 to the Consolidated Financial Statements on page 37.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fiscal quarter ended March 29, 1998.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

See the section entitled "Quarterly Financial Data" appearing on page 23 for information regarding Common Stock market prices. Dividends have not been paid in either of the past two fiscal years. See Note 4 to the Consolidated Financial Statements appearing on pages 29 and 30 for information regarding dividend restrictions.

ITEM 6 SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL SUMMARY
(In thousands, except per share amounts and financial ratios)

	FISCAL YEAR				
	1998	1997	1996	1995	1994
RESULTS OF OPERATION					
Sales	$116,881	$ 85,253	$ 96,894	$78,254	$ 70,147
Net income (loss)	10,302	(15,572)	3,794	2,847	(11,466)
Per share data					
Net income (loss) diluted	$ 0.98	$ (1.58)	$ 0.43	$ 0.36	$ (1.53)
Net income (loss) basic	$ 1.01	$ (1.58)	$ 0.45	$ 0.37	$ (1.53)
Weighted average common shares diluted	10,474	9,848	8,751	7,882	7,502
Weighted average common shares basic	10,201	9,848	8,367	7,607	7,502
FINANCIAL RATIOS					
Return (based on net income-net loss)					
On sales	8.8%	(18.3%)	3.9%	3.6%	(16.3%)
On average assets	14.5%	(22.1%)	6.0%	6.0%	(23.4%)
On average equity	20.8%	(30.9%)	8.9%	11.0%	(38.3%)
Current Ratio	2.52	2.10	3.35	1.68	1.64
Debt to Equity	2.9%	8.3%	4.5%	17.1%	19.9%
FINANCIAL POSITION					
Working Capital	$ 26,061	$ 18,409	$ 32,647	$10,983	$ 8,981
Additions to property, plant and equipment	11,039	7,951	12,297	5,248	2,939
Total assets	76,929	65,253	75,423	50,167	44,430
Long-term debt	1,625	3,606	2,565	4,744	4,826
Long-term capital lease obligations	---	8	565	754	892
Stockholders' equity	55,822	43,386	57,533	27,674	24,261
OTHER STATISTICS					
New orders (net of cancellations)	121,100	81,300	103,200	84,900	66,700
Backlog at year end	$ 36,800	$ 32,500	$ 36,500	$30,200	$ 23,500

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL 1998 COMPARED TO FISCAL 1997

GENERAL

Fiscal 1998 was a record year for Alpha Industries, Inc. as sales and orders exceeded $116 million and $121 million respectively. Other significant improvements included achievements in capacity expansion, margin improvements and new products introductions. The Company successfully increased the utilization of its existing GaAs fab in Massachusetts by introducing "continuous shift" manufacturing. The Company primarily targets the high volume wireless markets, particularly the wireless telephony, TV distribution and telecommunications markets. Currently the Company operates in one business segment while focusing on three different operating groups. The Wireless Semiconductor Products group provides gallium arsenide (GaAs) integrated circuits and other semiconductors to the dynamic global market for wireless telephone handsets. The Application Specific Products (ASP) group provides a broad range of GaAs and silicon devices and components to satellite, instrumentation, defense and other communications markets. The Ceramic Products group provides technical ceramic products for the wireless telephony infrastructure and other wireless markets.

In the prior year, the Company focused on two operating divisions, Alpha Microwave and Trans-Tech, Inc. The current Wireless Semiconductor and Application Specific Products groups jointly represent Alpha Microwave, and the Ceramic Products group represents Trans-Tech, Inc.

RESULTS OF OPERATIONS

Sales for fiscal 1998 totaled $116.9 million compared with sales of $85.3 million in fiscal 1997. The increase in sales was primarily the result of higher sales volumes due to the increased penetration into several handset platforms. In particular there was significant sales growth in the Wireless Semiconductor Products group where sales increased by 99%. Sales also grew strongly in the ASP group, which had a 21% annual increase. The Ceramic Products group sales grew slightly, year over year. Deliveries to one major customer, Motorola, Inc., were 25% of total sales for fiscal 1998. The Company continued to increase its focus on the commercial wireless markets as defense sales declined to 18% of fiscal 1998 sales, compared with 21% in fiscal 1997.

Gross profit for fiscal 1998 totaled $44.1 million or 38% of sales compared with $16.7 million or 20% of sales in fiscal 1997. In fiscal 1997, gross profit included non-recurring costs that, if excluded, the Company's gross profit as a percentage of sales would have been 27%. See fiscal 1997 management discussion and analysis for an explanation of non-recurring costs. Gross margins improved quarter over quarter primarily as the result of increased sales volumes and the leveraging of capacity of the Company's high volume semiconductor operation, as well as reduced manufacturing costs and improved operating efficiencies at the Ceramic Products group.

Research and development expenses for fiscal 1998 were approximately $10.0 million or 9% of sales compared with $9.5 million or 11% of sales in fiscal 1997. Overall, R&D increased slightly but the increased investment in the wireless areas was significant since last year's R&D included expenditures for the digital radio group that was sold in fiscal 1997. Also as expected, the Ceramic Products group decreased its R&D expenditures for fiscal 1998 during the rebuilding of its business. Approximately 75% of the Company's total research and development expenditures are for the development of processes and applications related to high volume products in the Wireless Semiconductor Products group, which are targeted at the rapidly-growing wireless markets. The Company is strongly committed to continuing its investment in the GaAs IC and high volume wireless

products to better serve its targeted markets, particularly as it continues to introduce new products that its key customers need. Customer sponsored R & D was not material in amount for fiscal 1998 or 1997.

Selling and administrative expenses increased to $22.4 million or 19% of sales for fiscal 1998, as compared with $20.4 million or 24% of sales in fiscal 1997.

Fiscal 1997 included approximately $900 thousand associated with severance costs related to various corporate executives and $626 thousand for recruiting and consolidation costs associated with Trans-Tech, Inc. Overall, selling and administrative expenses continue to steadily decrease as a percentage of sales, whereas, the actual selling and administrative spending continues to increase. These increases in selling and administrative expenses reflect the increased investments in the sales, marketing and administrative activities namely the addition of dedicated account managers for key wireless OEM manufacturers, improvements to the Company's information systems, training costs and recruiting costs for key positions.

Interest expense for fiscal 1998 decreased $83 thousand due to a decline in short term borrowings. Other expense and income increased $59 thousand in fiscal 1998 due to losses resulting from the retirement of obsolete equipment.

The Company's effective tax rate for fiscal 1998 was 10% compared to the current combined federal, state and foreign rate of approximately 40%. This rate differed from statutory rates primarily as a result of the utilization of net operating loss carryforwards. At March 29, 1998, the Company had available net operating loss carryforwards of approximately $26 million which expire commencing in 2004.

The Company reported net income for fiscal 1998 of $10.3 million or $0.98 per share diluted compared with a net loss for fiscal 1997 of $15.6 million or $1.58 per share diluted.

FINANCIAL CONDITION

At March 29, 1998, working capital totaled $26.1 million and included $15.8 million in cash, cash equivalents, and short-term investments, compared with $18.4 million of working capital at the end of fiscal 1997. Cash, cash equivalents and short-term investments increased $8.8 million during fiscal 1998 as operations generated $21.7 million of cash principally from net income, depreciation, and a decline in working capital requirements. Uses of cash included the $3.0 million repayment of short-term debt and $11 million for capital expenditures. The Company continued its investments in capital expenditures particularly for the semiconductor wafer fab operation and the IC and discrete semiconductor assembly and test areas, as well as for improved manufacturing capabilities at the ceramics manufacturing facility. The Company remains strongly committed to adding the required capacity needed to service the wireless markets as demand continues to grow. During fiscal 1999, the Company anticipates committing approximately $18 million in capital expenditures for the high volume Wireless Semiconductor Products group since this group is expected to be the primary engine for growth. These capital expenditures are expected to be disbursed over the next 12 to 18 months.

The Company expects to generate sufficient cash from operations to fund the necessary capital investments needed to support projected levels of growth. With cash and short term investments of $15.8 million, a $7.5 million line of credit and a $7.5 million equipment line of credit currently available, the Company believes it has adequate funds to support its current operating needs.

The Company believes sales of wireless telephone handsets will continue to grow during fiscal year 1999. The Company's sales of components for wireless telephone handsets in the first quarter of fiscal 1999 are expected to be flat compared to quarter four of fiscal 1998 as customers convert to new dual-band designs and digital standards.

OTHER MATTERS

Inflation did not have a significant impact upon the results of operations of the Company during the three-year period ended March 29, 1998.

In June 1997, the FASB issued Financial Accounting Standards No. 130, "Reporting Comprehensive Income" and No. 131, "Disclosure about Segments of an Enterprise and Related Information", which are effective for fiscal years beginning after December 15, 1997. The Company will comply with the required presentation of

SFAS No. 130 in fiscal 1999 and is currently evaluating the effects of SFAS No. 131.

Management is aware of the potential software anomalies associated with the year 2000 date change. The Company has been evaluating the potential issues that need to be addressed in connection with its operations. The Company has determined its products are not date sensitive and does not expect year 2000 exposure for products sold. A comprehensive review of the Company's computer systems and software is largely complete and the Company is not aware at this time of any significant year 2000 issues in its own systems that will not be resolved prior to the year 2000. Over the last several years the Company has invested heavily in new computer hardware and software to improve its business operations. All such systems were required to be year 2000 compliant as a condition of purchase. Formal communications have begun with the Company's significant suppliers, large customers, and financial institutions to ensure that those parties have appropriate plans in place to properly address the year 2000 issues. Based on preliminary information, costs of addressing the issue are not expected to have any material effect upon the Company's financial position, results of operations, or cash flows in future periods. The Company believes it has adequate plans in place to address the year 2000 issues. However, there can be no assurances that the systems on which the Company's operations rely, will be converted on a timely basis and will not have a material effect on the Company. See the "Year 2000 Issues" paragraph of the "Forward Looking Statements."

FISCAL 1997 COMPARED TO FISCAL 1996

GENERAL

Despite a difficult 1997 fiscal year, in which the Company lost $15.6 million, changes and improvements completed by the end of the year have strengthened the Company and positioned it for profitability in the first quarter (ending June 1997) of the 1998 fiscal year.

The Company's losses in the year were largely the result of an industry-wide over-supply of cellular telephones and related equipment, especially in the North American cellular telephone market, as well as operational difficulties at Trans-Tech, Inc. (TTI), the Company's ceramic component subsidiary. Following a period of extremely strong demand from the Company's customers, many of the Company's customers announced, early in the fourth quarter of the 1996 fiscal year, that they had excessive finished goods inventory, leading them to cut back on existing component orders to the Company and to delay future orders.

In July 1996, Thomas C. Leonard was asked by the Board of Directors to take over as President and CEO of the Company. Mr. Leonard had been a Vice President at Alpha for almost four years, concentrating on turning around and improving troubled operations within Alpha Microwave.

Alpha Microwave, the Company's Gallium Arsenide (GaAs) Integrated Circuits (ICs) and semiconductor division, operated at virtually break-even for the year, as it continued to invest for increased capacity and market penetration. In May 1996, David J. Aldrich became General Manager of Alpha Microwave and began to institute a series of changes that strengthened the division and prepared it for fast growth when the market returned. Throughout the fiscal year, plans continued to increase capacity, and in the fourth quarter of fiscal 1997, conversion from 3 inch to 4 inch diameter GaAs wafers and the addition of a third shift resulted in a 2.5 to 3-fold increase in the division's capacity to manufacture GaAs ICs. Restructuring of the sales and marketing organizations in the division allowed a tight focus on "strategic customers", the largest original equipment manufacturers in the wireless telephone industry. As a result of all of these actions, Alpha Microwave was profitable in the last two quarters of fiscal 1997.

Trans-Tech was particularly hard-hit by the slump, because of operating inefficiencies, which had increased costs and adversely affected shipments to customers. These problems led the Company to seek new management for Trans-Tech - -- a process that was completed only late in January 1997, with the arrival of Richard Langman as the new President and General Manager of Trans-Tech.

Analysis of the Trans-Tech situation first by Mr. Leonard and then by Mr. Langman, indicated operational problems, made more painful by the loss of orders from customers who had been disappointed by Trans-Tech's late and unpredictable deliveries. This reduction in order volume at Trans-Tech persisted even as order volume rose in other parts of the Company, which confirmed the decision to divest or close higher-cost, redundant manufacturing operations in France and California. Legal issues in France delayed the sale of the French subsidiary until the end of the fourth quarter, but both operations were disposed of during the fiscal year. These divestitures reduced costs and eliminated excess capacity, without any reduction of product offerings.

Also in the fourth quarter, Trans-Tech conducted a significant reduction in force, largely among support personnel and narrowed the focus of its development activities, in order to bring its cost structure in line with its reduced level of business. Also in the fourth quarter, Alpha Microwave sold a small product line consisting of digital radio subsystems.

At the beginning of the year, the Company's break-even was at approximately $25 million per quarter; by the end of the year, with the completion of all of the actions described above, the break-even was at $21-22

million. As a result, the Company announced that all non-recurring events were complete during fiscal 1997 and projected profitability in the first quarter of fiscal 1998.

RESULTS OF OPERATIONS

Sales for fiscal 1997 totaled $85.3 million compared to sales of $96.9 million in fiscal 1996. The decrease in fiscal 1997 sales was primarily the result of lower sales volumes at Trans-Tech from the factors discussed above. In contrast, sales of semiconductors and GaAs ICs at Alpha Microwave were lower in the first quarter than in the fourth quarter of fiscal 1996, but showed continued modest growth throughout the year. The Company continued to increase its focus on the commercial wireless markets as military sales declined to 21% of fiscal 1997 sales, compared with 24% in fiscal 1996. The Company will continue to participate in military programs with low risk and those that provide funding for the development of technology that is transferable to commercial wireless applications.

Gross profits for fiscal 1997 totaled $16.7 million as compared to $30.9 million in fiscal 1996. The decrease in gross profit in fiscal 1997 was the result of: (i) excess manufacturing capacity at Trans-Tech that was adjusted in the fourth quarter with the divestiture of the French subsidiary and the consolidation at Trans-Tech; (ii) carrying costs of approximately $2.7 million for the two divested operations (incurred prior to divestiture); (iii) a $2.6 million inventory write-down at Trans-Tech resulting from shifts in demand away from certain ceramic products; and (iv) decisions to continue expanding capacity at Alpha Microwave during the year in spite of lower Company-wide sales volumes for the first half of the year. Excluding certain non-recurring costs, primarily the carrying costs and inventory write-down identified above, the Company's gross profit as a percentage of sales would be 27% for fiscal 1997 and 31% for the fourth quarter of fiscal 1997.

Company sponsored research and development expenses increased in fiscal 1997 to $9.5 million, or 11% of sales from $9.1 million, or 9% of sales in fiscal 1996. The continued level of research and development expenses reflects the Company's strong commitment to its investment in the GaAs IC product line. The Company is dedicated to supporting high volume applications for wireless customers and will continue to invest in product and process development to better serve its targeted markets. The Company expects a reduction in quarterly R&D of approximately $200 to $300 thousand, due to the refocusing of TTI and the discontinued investment in the digital radio product group. However, the Company will continue to increase investments in high volume wireless products. Customer sponsored R & D was not material in amount in fiscal year 1997 and was $4.2 million in fiscal 1996. This was the result of a shift away from defense related contracts.

Selling and administrative expenses increased to $20.4 million, or 24% of sales, in fiscal 1997 compared to $17.2 million, or 18% of sales, in fiscal 1996. The increase in selling and administrative expenses for fiscal 1997 reflects expanded investments in the Company's sales activities. These investments included the addition of dedicated account managers for key wireless OEM manufacturers and improvements to the Company's information systems, such as adding Electronic Data Interchange (EDI) capabilities. Also included in fiscal 1997 selling and administrative expenses are non-recurring costs of $900 thousand for severance costs related to various corporate executives and $626 thousand for recruiting and consolidation costs associated with TTI.

Interest expense decreased $189 thousand for fiscal 1997 compared to the same period last year. Interest income increased $43 thousand for fiscal 1997 compared to fiscal 1996. During the third quarter of fiscal 1996, the Company received funds from a secondary offering that were used to reduce debt and increase short-term investments which resulted in decreased interest expense and increased interest income. Other expense and income decreased $87 thousand in fiscal 1997 compared with fiscal 1996. These fluctuations were due to currency gains and losses.

The Company did not record a tax provision for fiscal 1997. No federal taxes were due, and state and foreign taxes were offset by a state loss carryback. The Company is expected to have a below normal tax rate due to net operating loss carryforwards of approximately $36 million which expire beginning in fiscal 2004.

The Company reported a net loss of $15.6 million or $1.58 per share diluted compared with net income of $3.8 million or $0.43 per share diluted for fiscal 1996.

FINANCIAL CONDITION

At March 30, 1997, working capital totaled $18.4 million and included $7 million in cash, cash equivalents, and short-term investments, compared with $32.6 million of working capital at the end of fiscal 1996. Cash decreased $5.5 million during fiscal 1997 as a result of a $15.6 million loss, further investments in capital expenditures and a reduction in accounts payable.

Capital expenditures of approximately $8 million were used primarily for continued automation of the semiconductor wafer fab operations and the IC and discrete semiconductor assembly and test areas, as well as for improved manufacturing capabilities at the ceramics manufacturing facility. During fiscal 1997, the Company was successful in converting its existing 3 inch GaAs wafer line to 4 inch wafers. A portion of the capital expenditures during the year was funded by a $5 million equipment line of credit, which was subsequently converted to a term note. The Company remains committed to adding the required capacity needed to service the wireless markets as demand continues to grow. The Company currently anticipates investing approximately $10 million in capital expenditures during fiscal 1998.

With cash, cash equivalents, and short-term investments of $7 million and a $7.5 million working capital line of credit available until October 1, 1997, the Company believes it has adequate funds to support its current operating and capital investment needs. At March 30, 1997, $1 million was borrowed under the line of credit. As in the past, the Company intends to renew the line of credit when it matures. Also, the Company will continue to evaluate other available sources of financing, such as sale leasebacks or borrowing against its debt-free Massachusetts facility.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this Report contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. The cautionary statements made in this Report should be read as being applicable to all forward-looking statements wherever they appear in this Report. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences are discussed below.

VARIABILITY OF OPERATING RESULTS. The Company's quarterly and annual results have varied in the past and may vary significantly in the future due to a number of factors, including: cancellation or delay of customer orders; market acceptance of the Company's or its customers' products; variations in manufacturing yields; timing of announcement and introduction of new products by the Company and its competitors; changed in revenue and product mix; competition; changes in manufacturing capacity and variations in the utilization of this capacity; variations in average selling prices; variations in operating expenses; the long sales cycles associated with the Company's customer specific products; the timing and level of product and process development costs; cyclicality of the semiconductor and ceramic industries; the timing and level of non-recurring engineering revenues and expenses relating to customer specific products; and changes in inventory levels. Any unfavorable changes in these or other factors could have a material adverse effect on the Company's operating results. The Company's expense levels are based, in part, on its expectations as to future revenue, and certain of these expenses, particularly those relating to the Company's capital equipment and manufacturing overhead, are relatively fixed in nature. For example, the Company expects to commit up to $18 million during fiscal 1999 for new equipment and expansion of its GaAs fabrication facility. The Company is also investing in new GaAs process development technologies in anticipation of customer demands for more efficient products. As a result of the relatively fixed nature of certain of the Company's expenses, operating results would be disproportionately and adversely affected by a reduction in revenue. The Company expects that its operating results will continue to fluctuate in the future as a result of these and other factors.

CUSTOMER CONCENTRATION. Historically, a significant portion of the Company's sales in each fiscal period has been concentrated among a limited number of customers. This trend is accelerating, and in recent periods sales to the Company's major customers as a percentage of total sales have increased, with sales to one customer, Motorola, Inc., accounting for 25% of the Company's total sales for fiscal 1998. Motorola has publicly reported that it is undertaking a major reorganization in order to address business issues that have arisen in certain of its operating units. The Company does not generally enter into long-term contracts with its customers, and when it does, the contract is generally terminable for the convenience of the customer. If the Company were to lose one of these major customers, or if orders by a major customer otherwise were to decrease, or if major orders were to be canceled or deferred, the Company's business, financial condition and operating results would be materially and adversely affected.

DEPENDENCE ON CUSTOMER SPECIFIC PRODUCTS. Most of the Company's products are designed to be incorporated into specific end-user products. In light of short product life cycles in the wireless communications industry, the Company's future success depends upon its ability to select customer specific development projects which will result in sufficient production volume to enable the Company to recover its development costs and realize a profit on the project. There can be no assurance that the Company will be able to select such customer specific projects, or that the Company's products will be designed into such projects. In addition, OEMs require that their suppliers design and manufacture components very quickly. There can be no assurance that the Company will be able to design, manufacture in large volumes and deliver to its customers high quality, reliable products within the required time periods. The Company has experienced delays in the production of ICs, ceramic products and discrete semiconductors under major contracts with major OEM customers. There can be no assurance similar problems will not recur in the future. Any such problems could have a material and adverse effect on the Company's operating results.

PRODUCT AND PROCESS DEVELOPMENT AND TECHNOLOGICAL CHANGE. The wireless communications industry is characterized by frequent new product introductions, evolving industry standards and rapid changes in product and process technologies. The Company believes that its future success will depend upon its ability to continue to improve its product and process technologies and develop new technologies. The success of the Company's new products is dependent upon many factors, including factors that are outside the Company's control. These factors include: the Company's ability to anticipate market requirements in its product development efforts; market acceptance and continued commercial success of OEM products for which the Company's products have been designed; the ability to adapt to technological changes and to support established and emerging industry standards; successful and timely completion of product

development and commercialization; achievement of acceptable wafer fabrication and ceramic process yields and manufacturing yields generally; and the ability to offer new products at competitive prices. No assurance can be given that the Company's product and process development efforts will be successful or that the Company's new products or those of its customers will achieve or sustain market acceptance. In addition, the wireless communications industry is characterized by end-user demands for increased functionality at ever lower prices. To remain competitive, the Company must obtain yield and productivity improvements and cost reductions and must introduce new products which incorporate advanced features and which therefore can be sold at higher average selling prices. To the extent that such cost reductions and new product introductions do not occur in a timely manner or the Company's or its customers' products do not achieve market acceptance, the Company's operating results could be materially and adversely affected.

MANUFACTURING RISKS. The manufacturing processes for the Company's products, in particular its GaAs ICs, are highly complex and precise, requiring advanced and costly equipment, and are being modified continually in an effort to improve yields and product performance. The Company expects that its customers will continue to establish demanding specifications for quality, performance and reliability that must be met by the Company's products. The Company has limited experience in high volume manufacturing of certain GaAs ICs and ceramic products for the high volume commercial applications on which its current product development, sales and marketing efforts are focused. The Company has encountered and may in the future encounter development and manufacturing delays, has from time to time failed and may in the future fail to meet its customers' contractual specifications, and one or more of its products have contained and may in the future contain undetected defects or failures when first introduced or after commencement of commercial shipments. If such delays, defects or failures occur, the Company could experience lost revenue, resulting from delays in or cancellations or rescheduling of orders or shipments, product returns or discounts, or could experience increased costs, including product or process redesign, warranty expense or costs associated with customer support, any of which could have a material adverse effect on the Company's operating results. There can be no assurance that the Company will not in the future experience significant product quality, performance or reliability problems.

MANAGEMENT OF GROWTH. The growth in the Company's business has placed, and is expected to continue to place, a significant strain on the Company's personnel, management and other resources. In order to manage any future growth effectively, the Company will, among other things, be required to upgrade and expand certain manufacturing facilities; attract, train, motivate and manage employees successfully; and continue to improve its operational and financial systems. There can be no assurance that the Company will be successful in these respects. In addition, the Company has determined that anticipated future growth of its business requires improvement or expansion of the Company's existing manufacturing facilities. Expansion or upgrade of the Company's manufacturing facilities will entail substantial capital expenditures. The Company expects to commit up to $18 million for such efforts in fiscal 1999. Lead times for certain capital equipment are long, and modification of the Company's facilities and installation of such equipment is a complex process which could disrupt the Company's ongoing manufacturing operations. Delays in completion of a planned expansion or upgrade could limit the ability of the Company to respond to the rapid design and production cycles required by its customers. Moreover, there can be no assurance that the Company will be able to secure sources of capital adequate to fund the necessary expenditures. The Company could experience product quality, performance or reliability problems and development and manufacturing delays in connection with any such increase in utilization or such expansion or upgrade of the Company's manufacturing capacity. The occurence of any such problems or the inability of the Company otherwise to manage any future growth effectively could materially and adversely affect the Company's operating results.

DEPENDENCE ON KEY PERSONNEL. The Company's future success depends in large part on the continued service of its key technical, marketing and management personnel, and on its ability to identify, attract and retain qualified technical personnel, particularly highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for such personnel is intense, and the loss of key employees could have a material adverse effect on the Company.

CYCLICALITY OF THE COMPANY'S MARKETS. While the semiconductor and ceramic markets have in the past experienced overall growth, they have historically been characterized by wide fluctuations in product supply and demand. From time to time, these industries have also experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity and subsequent accelerated price erosion, and in some cases have lasted for extended periods of time. The Company's business may in the future be materially and adversely affected by industry-wide fluctuations. The Company's continued success will depend in large part on the continued growth of the wireless communications industry. No assurance can be given that the Company will not be adversely affected in the future by cyclical conditions in the wireless communications industry.

COMPETITION. Wireless communications markets are intensely competitive and are characterized by rapid technological change, rapid product obsolescence and price erosion. Currently, the Company competes primarily with manufacturers of high performance GaAs ICs, discrete silicon semiconductors, passive components, ceramic filters and other ceramic products and microwave and millimeter wave components. The Company expects increased competition both from existing competitors and others which may enter these markets, as well as potential future competition from companies which may offer new or emerging technologies, such as surface acoustic wave filters, silicon germanium and other silicon technologies. In addition, many of the Company's customers, particularly its largest customers, have or could acquire the capability to develope or manufacture products competitive with those that have been or may be developed or manufactured by the Company. The Company's future operating results may depend in part upon the extent to which these customers elect to purchase from outside sources rather than develop and manufacture their own systems. A number of the Company's competitors have significantly greater financial, technical, manufacturing and marketing resources than the Company. The ability of the Company to compete successfully depends in part upon the ability of the Company to develop price competitive, high quality solutions for OEMs and the extent to which customers select the Company's products over competitors' products for their systems. There can be no assurance that the Company will be able to compete successfully in the future.

YEAR 2000 ISSUES. The inability of certain computer hardware and software to correctly recognize dates beginning January 1, 2000 may cause problems in the correct functioning of computerized systems at the Company and its customers, suppliers, utility service providers, financial institutions and other organizations (including without limitation government, transportation and telecommunications) whose correct functioning is necessary to the success of the Company's business. The Company is not aware at this time of any significant year 2000 issues in its own systems that will not be resolved prior to the year 2000. There can be no assurance that the Company's systems, and the systems of other companies on which the Company's systems and operations rely, will be converted on a timely basis or that year 2000 issues will not have a material and adverse effect on the Company.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

	March 29, 1998	March 30, 1997
ASSETS (NOTE 4)		
Current assets		
Cash and cash equivalents	$ 14,356	$ 5,815
Short-term investments	1,493	1,218
Accounts receivable, trade, less allowance for doubtful accounts of $634 and $521	18,500	17,019
Inventories (Note 3)	7,941	10,267
Prepayments and other current assets	883	857
Total current assets	43,173	35,176
Property, plant and equipment		
Land	437	437
Building and improvements	23,000	22,659
Machinery and equipment	70,051	59,962
	93,488	83,058
Less-accumulated depreciation and amortization	60,824	54,450
	32,664	28,608
Other assets	1,092	1,469
Total Assets	$ 76,929	$ 65,253
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable, bank (Note 4)	$ --	$ 1,000
Current maturities of long-term debt (Note 4)	1,876	1,939
Current maturities of capital lease obligations (Note 4)	8	230
Accounts payable	5,725	5,620
Repositioning reserve (Note 5)	--	1,106
Accrued liabilities		
Payroll, commissions and related expenses	6,724	5,359
Other	2,779	1,513
Total current liabilities	17,112	16,767

Long-term debt (Note 4)	1,625	3,606
Long-term capital lease obligations	--	8
Other long-term liabilities	2,370	1,486
Commitments and contingencies (Note 9)		
Stockholders' equity (Notes 4 and 7)		
Common stock par value $.25 per share: authorized 30,000,000 shares; issued 10,545,167 and 10,126,413 shares	2,636	2,531
Additional paid-in capital	56,758	54,640
Retained earnings (accumulated deficit)	(3,214)	(13,516)
	56,180	43,655
Less - Treasury shares 100,195 and 161,139 at cost	315	195
Unearned compensation-restricted stock	43	74
Total stockholders' equity	55,822	43,386
Total Liabilities and Stockholders' Equity	$ 76,929	$ 65,253

The accompanying notes are an integral part of these financial statements.

Alpha Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED MARCH 29, 1998	MARCH 30, 1997	MARCH 31, 1996
Sales	$116,881	$ 85,253	$96,894
Cost of sales	72,799	68,519	65,986
Research and development expenses	10,035	9,545	9,148
Selling and administrative expenses	22,359	20,441	17,226
Repositioning expenses (credit) (Note 5)	---	2,074	(320)
	105,193	100,579	92,040
Operating income (loss)	11,688	(15,326)	4,854
Other income (expense)			
Interest expense	(471)	(554)	(743)
Interest income	396	415	372
Other (expense) income, net	(166)	(107)	(20)
	(241)	(246)	(391)
Income (loss) before income taxes	11,447	(15,572)	4,463
Provision for income taxes (Note 6)	1,145	---	669
Net income (loss)	$ 10,302	$(15,572)	$ 3,794
Net income (loss) per share diluted	$ 0.98	$ (1.58)	$ .43
Net income (loss) per share basic	$ 1.01	$ (1.58)	$ .45
Weighted average common shares diluted	10,474	9,848	8,751
Weighted average common shares basic	10,201	9,848	8,367

The accompanying notes are an integral part of these financial statements.

Alpha Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED MARCH 29, 1998	MARCH 30, 1997	MARCH 31 1996,
CASH (USED IN) PROVIDED BY OPERATIONS:			
Net income (loss)	$ 10,302	$ (15,572)	$ 3,794
Adjustments to reconcile net income (loss) to net cash (used in) provided by operations:			
Depreciation and amortization of property, plant, and equipment	6,742	5,886	4,628
Amortization of unearned compensation - restricted stock	31	35	61
Unearned compensation	---	(11)	---
(Gain) loss on sales and retirements of property, plant, and equipment	132	--	(9)
Noncash portion of repositioning charges	---	660	---
Gain on property, plant and equipment due to repositioning	---	---	(320)
Decrease (increase) in other assets	375	(262)	(395)
Increase in other liabilities and long-term benefits	884	630	62
Issuance of treasury stock to 401(k) plan	833	831	220
Change in assets and liabilities			
Accounts receivable	(1,481)	771	(4,140)
Inventories	2,326	770	(2,645)
Prepayments and other current assets	(26)	318	(623)
Accounts payable	105	(1,455)	1,869
Accrued liabilities	2,631	818	(241)
Repositioning reserve	(1,106)	1,106	(991)
Net cash (used in) provided by operations	21,748	(5,475)	1,270
CASH USED IN INVESTMENTS:			
Additions to property, plant and equipment excluding capital leases	(11,039)	(7,951)	(11,972)
Purchases of short-term investments	(2,335)	(4,030)	(12,113)
Maturities of short-term investments	2,060	6,955	7,970
Net proceeds from divestitures	---	1,191	---
Proceeds from sale of property, plant and equipment	109	---	31
Proceeds from sale of property held for resale	---	---	2,465
Net cash used in investments	(11,205)	(3,835)	(13,619)
CASH (USED IN) PROVIDED BY FINANCING:			
Proceeds from notes payable	---	4,952	621
Payments on notes payable	(3,044)	(1,304)	(5,807)
Payments on capital lease obligations	(230)	(437)	(441)
Deferred charges related to long-term debt	2	18	8
Exercise of stock options and warrants	1,400	462	392
Proceeds from sale of stock	138	108	25,392
Repurchase of treasury shares	(268)	---	---
Net cash (used in) provided by financing	(2,002)	3,799	20,165
Net increase (decrease) in cash and cash equivalents	8,541	(5,511)	7,816
Cash and cash equivalents, beginning of year	5,815	11,326	3,510
Cash and cash equivalents, end of year	$ 14,356	$ 5,815	$ 11,326

Supplemental disclosures:
No new leases were entered into during the years ended March 29, 1998 and March 30, 1997. Capital lease obligations of $325 thousand were incurred during the year ended March 31, 1996, when the Company entered into leases for new equipment.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED) (DEFICIT)	TREASURY STOCK	UNEARNED COMPENSATION RESTRICTED STOCK
Balance April 2, 1995	7,994	$ 1,999	$ 27,921	$ (1,738)	$ (330)	$ (178)
Net income	---	---	---	3,794	---	---
Stock offering net of expenses	1,840	460	24,802	---	---	---
Employee Stock Purchase Plan	17	4	126	---	---	---
Issuance of restricted stock	9	2	49	---	---	(51)
Amortization of unearned compensation restricted stock	---	---	---	---	---	61
Issuance 18,334 treasury shares to ESOP	---	---	197	---	23	---
Repurchase 4,500 shares of						

restricted stock....................	---	---	---	---	(14)	14
Exercise of stock options.............................	79	19	373	---	---	---
Balance March 31, 1996...............	9,939	2,484	53,468	2,056	(321)	(154)
Net loss............................	---	---	---	(15,572)	---	---
Employee Stock Purchase Plan.........	15	4	104	---	---	---
Amortization of unearned compensation restricted stock........	---	---	---	---	---	35
Issuance 100,580 treasury shares to 401(k) plan......................	---	---	702	---	129	---
Repurchase 12,667 shares of restricted stock....................	---	---	(53)	---	(3)	45
Exercise of stock options............	172	43	419	---	---	---
Balance March 30, 1997...............	10,126	2,531	54,640	(13,516)	(195)	(74)
Net income...........................	---	---	---	10,302	---	---
Employee Stock Purchase Plan.........	20	5	133	---	---	---
Amortization of unearned compensation restricted stock........	---	---	---	---	---	31
Issuance 82,780 treasury shares to 401(k) plan.........................	---	---	685	---	148	---
Repurchase 21,836 shares.............	---	---	---	---	(268)	---
Exercise of stock options............	349	87	1,125	---	---	---
Exercise of stock warrants...........	50	13	175	---	---	---
Balance March 29, 1998...............	10,545	$ 2,636	$56,758	$ (3,214)	$ (315)	$ (43)

The accompanying notes are an integral part of these financial statements.

QUARTERLY FINANCIAL DATA
(UNAUDITED)
(IN THOUSANDS EXCEPT SHARE DATA)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR
FISCAL 1998					
Sales..........................	$ 25,705	$ 28,571	$ 30,751	$ 31,854	$116,881
Gross profit...................	8,897	10,629	11,823	12,733	44,082
Net income.....................	1,110	2,344	3,156	3,692	10,302
Per share data					
Net income diluted.........	.11	.22	.30	.35	.98
Net income basic...........	.11	.23	.31	.36	1.01
Market price range:					
High.........................	8-13/16	16-3/8	20-5/8	20	20-5/8
Low..........................	6-5/8	8-1/4	12-7/8	14-1/16	6-5/8
FISCAL 1997					
Sales..........................	$ 20,066	$20,137	$22,287	$ 22,763	$ 85,253
Gross profit...................	3,792	2,819	5,241	4,882	16,734
Net income (loss)..............	(3,424)	(4,728)	(2,075)	(5,345)	(15,572)
Per share data					
Net income (loss) diluted..	(.35)	(.48)	(.21)	(.54)	(1.58)
Net income (loss) basic....	(.35)	(.48)	(.21)	(.54)	(1.58)
Market price range:					
High.........................	11-3/4	9-3/8	9-3/4	9	11-3/4
Low..........................	7-7/8	6-7/8	5-3/4	5-7/8	5-3/4

The Company's common stock is traded on the NASDAQ Stock Market under the symbol AHAA. Prior to June 2, 1998, the Company's stock was traded on the American Stock Exchange under the symbol AHA. The number of stockholders of record as of May 29, 1998 was approximately 1,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company's fiscal year ends on the Sunday closest to March 31. There were 52 weeks in fiscal 1998, 1997 and 1996.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition:

Revenue is recognized when a product is shipped and services are performed. Contract revenue is recognized on the percentage-of-completion method, which is primarily measured on the ratio of units shipped to the total contract number of units. Provisions for estimated losses, if any, on uncompleted contracts are made in the period in which such losses are determined.

Foreign Currency Translation:

The accounts of foreign subsidiaries are translated in accordance with the Financial Accounting Standards Board Statement No. 52. Foreign operations are remeasured as if the functional currency were the U.S. dollar. Monetary assets and liabilities are translated at the year end rates of exchange. Revenues and expenses (except cost of sales and depreciation) are translated at the average rate for the period. Non-monetary assets, equity, cost of sales and depreciation are remeasured at historical rates. Remeasurement gains and losses are reflected currently in operations and are not material.

Research and Development Expenditures:

Research and development expenditures are charged to income as incurred unless they are reimbursed under specific contracts.

Cash, Cash Equivalents and Short-term Investments:

Cash and cash equivalents include cash deposited in demand deposits at banks and highly liquid investments with original maturities of 90 days or less.

The Company's short-term investments are classified as held-to-maturity. These investments consist primarily of commercial paper and bonds with original maturities of more than 90 days. Such short-term investments are carried at amortized cost, which approximates fair value, due to the short period of time to maturity. Gains and losses are included in investment income in the period they are realized.

Inventories:

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment:

Property, plant and equipment are carried at cost. Depreciation is provided on the straight-line method for financial reporting and accelerated methods for tax purposes.

Estimated useful lives used for depreciation purposes are 5 to 30 years for buildings and improvements and 3 to 10 years for machinery and equipment.

Fair Value of Financial Instruments:

Financial instruments of the Company consist of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair value because of the short maturity of these instruments. Based upon borrowing rates currently available to the Company for issuance of similar debt with similar terms and remaining maturities, the estimated fair value of long-term debt approximates their carrying amounts. The Company does not use derivative instruments.

Income Taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Net Income Per Common Share:

During fiscal 1998, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." Under the provisions of SFAS 128, basic earnings per share replaces primary earnings per share and the dilutive effect of stock options and warrants are excluded from the calculation. Fully diluted earnings per share are replaced by diluted earnings per share and include the dilutive effect of stock options and warrants, using the treasury stock method. All prior period earnings per share data have been restated to conform to the requirements of SFAS 128.

A reconciliation of the weighted average number of shares outstanding used in the computation of the basic and diluted earnings per share for the three years ended March 29, 1998 is as follows (in thousands):

	1998	1997	1996
Weighted average shares (basic)	10,201	9,848	8,367
Effect of dilutive stock options	273	--	384
Weighted average shares (diluted)	10,474	9,848	8,751

The net income (loss) used in the calculation for basic and diluted earnings per share calculations agrees with the net income (loss) appearing in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of:

The Company adopted the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", during fiscal 1997. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations, or liquidity.

Stock Option Plan:

Prior to fiscal 1997, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. During fiscal 1997, the Company adopted SFAS No. 123, "Accounting of Stock-Based Compensation", which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

New Accounting Standards:

The Financial Accounting Standards Board recently issued SFAS No. 129, "Disclosure of Information about Capital Structure." This statement establishes standards for disclosing information about an entity's capital structure. This statement is effective for periods ending after December 15, 1997. The Company is in compliance with this standard.

The Financial Accounting Standards Board recently issued SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. This statement is effective for fiscal years beginning after December 15, 1997 and requires reclassification of financial statements for earlier periods provided for comparative purposes. The Company will comply with the required presentation in fiscal 1999.

The Financial Accounting Standards Board recently issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." This statement establishes standards for reporting operating segments of publicly traded business enterprises in annual and interim financial statements and requires that those enterprises report selected information about operating segments. This statement supersedes SFAS No. 14, "Financial Reporting for Segments of a Business," but retains the requirement to report information about major customers. This statement is effective for financial statements for fiscal years beginning after December 15, 1997 and requires that comparative information for earlier years be restated. The Company has not yet determined what impact, if any, this standard will have on its financial statement presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Financial Accounting Standards Board recently issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement standardizes disclosure requirements for pensions and other postretirement benefits, and is effective for fiscal years beginning after December 15, 1997. This statement does not apply to the Company as the Company does not currently sponsor any defined benefit plans.

NOTE 2 COMPANY OPERATIONS

The Company operates in one industry segment: the development, production and sale of microwave materials, devices and components. Sales include export sales primarily to Europe and to a lesser extent Southeast Asia of $39.2 million, $26.7 million, and $23.6 million, in fiscal 1998, 1997, and 1996, respectively.

During fiscal year 1998 and 1997, one customer accounted for 25% and 11% respectively of the Company's total sales, whereas, during fiscal year 1996, no one customer accounted for 10% or more of the Company's total sales. The Company is focused on four major OEMs and six other customers that the Company believes are principal suppliers to these OEMs in the wireless communications market. For fiscal 1998 sales to the four major OEMs and their suppliers represented approximately 40% of the Company's total sales. In fiscal 1997 and 1996 sales to these OEMs and their suppliers represented approximately 26% and 29% of the Company's total sales, respectively. While the Company believes that these emerging wireless markets afford great opportunities, such customer concentration could have an adverse affect on the business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 COMPANY OPERATIONS (CONTINUED)

During fiscal 1998, 1997, and 1996, the Company operated a sales subsidiary in the United Kingdom. At the end of fiscal 1997, the Company sold its ceramic manufacturing operation in France. During fiscal 1996, the Company closed its sales subsidiary in Germany and replaced it with an independent sales representative and distributor. The following table shows certain financial information relating to the Company's operations in various geographic areas (in thousands):

	1998	1997	1996
Sales			
United States			
Customers............	$110,108	$ 76,004	$ 83,078
Intercompany.........	5,665	6,472	8,526
Europe			
Customers............	6,773	9,249	13,816
Eliminations............	(5,665)	(6,472)	(8,526)
Net Sales..................	116,881	85,253	96,894
Income (loss) before taxes			
United States...........	11,027	(13,520)	3,553
Europe..................	420	(2,052)	910
Income (loss) before taxes..	11,447	(15,572)	4,463
Assets			
United States...........	72,165	61,547	69,201
Europe..................	4,764	3,706	6,222
Total Assets...............	$ 76,929	$ 65,253	$ 75,423

Transfers between geographic areas are made at terms that allow for a reasonable profit to the seller.

NOTE 3 INVENTORIES

Inventories consisted of the following (in thousands):	March 29, 1998	March 30, 1997
Raw materials	$3,916	$ 4,886
Work-in-process	2,259	3,439
Finished goods	1,766	1,942
	$7,941	$10,267

During fiscal 1997, the Company recorded a $2.6 million write-down of inventory resulting from shifts in demand away from ceramic products.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 BORROWING ARRANGEMENTS AND COMMITMENTS

LINE OF CREDIT

The Company has a $7.5 million Working Capital Line of Credit Agreement which expires September 30, 1999. This line of credit is collateralized by the assets of the Company, excluding real property, not otherwise collateralized. A commitment fee of 1/2% per year is due quarterly under the Agreement. At March 29, 1998, there was no borrowing outstanding under this Agreement. At March 30, 1997, there was $1.0 million outstanding under this Agreement.

As of October 1, 1997, the Company obtained a $7.5 million Equipment Line of Credit Agreement which expires on September 30, 1998. Prior to October 1, 1998, the Equipment Line of Credit Agreement may be converted to a four-year term loan. This equipment line of credit is collateralized by equipment financed. A facility fee of $37.5 thousand was paid upon execution of the Agreement. At March 29, 1998, there was no borrowing outstanding under this Agreement.

LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):	March 29, 1998	March 30, 1997
Equipment Term Note (a)	$ 2,344	$3,998
Industrial Revenue Bond (b)	444	558
French Government Sponsored and Start-up Loans (c)	---	170
CDBG Grant (d)	713	819
	3,501	5,545
Less - current maturities	1,876	1,939
	$1,625	$3,606

a. The equipment term note is at LIBOR (5.67188% at March 29, 1998 and 5.4375% at March 30, 1997) plus 2.5% and 3%, respectively. This note is collateralized by the assets of the Company, excluding real property, not otherwise collateralized. Principal payments of approximately $138 thousand plus interest are due monthly until August 1999.

b. An industrial revenue bond is held by the Farmers and Mechanics National

Bank. The interest rate on this bond is prime (8.5% at March 29, 1998 and March 30, 1997) and quarterly principal payments of approximately $28 thousand are due until March 2002. The bond is secured by various property, plant and equipment with a net book value of $2.3 million at March 29, 1998.

c. The unsecured government sponsored and start-up loans were repaid in full during fiscal 1998.

d. The Company obtained a ten year $960 thousand loan from the State of Maryland under the Community Development Block Grant program. Quarterly payments are due through December 2003 and represent principal plus interest at 5% of the unamortized balance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 BORROWING ARRANGEMENTS AND COMMITMENTS (CONTINUED)

Aggregate annual maturities of long-term debt are as follows (in thousands):

FISCAL YEAR	
2000	$ 918
2001	234
2002	240
2003	135
2004	98
	$1,625

CAPITAL LEASE OBLIGATIONS

At March 29, 1998 included in property, plant and equipment are the following capitalized leases (in thousands):

Property, plant and equipment	$ 1,798
Accumulated depreciation and amortization	1,664
	$ 134

One year of lease payments totaling $8 thousand remains under the capitalized lease obligations.

Cash payments for interest were $492 thousand, $470 thousand, and $906 thousand, in fiscal 1998, 1997, and 1996, respectively.

The bond, lines of credit and term loan agreements include various covenants that require maintenance of certain financial ratios and balances and restrict creation of funded debt and payment of dividends. Under the most restrictive covenants the Company may not pay dividends except restricted payments in an amount not to exceed $100 thousand in order to redeem shares of capital stock of the Company under the Company's employee benefit plans.

NOTE 5 REPOSITIONING CHARGE

During fiscal 1997, the Company successfully completed the resizing of Trans-Tech, Inc. (TTI), its Maryland subsidiary, which included the sale of Trans-Tech Europe (TTE), its French ceramic manufacturing operation, and the closing of the TTI California facility. The Company also completed the sale of the digital radio product line. The above actions resulted in a repositioning charge which was recorded in the fourth quarter of fiscal 1997. The charge included the following items (in thousands):

Employee severance at TTI.............	$ 493
Lease commitments on unoccupied facilities at TTI.................	512
Write-off of excess equipment at TTI..	263
Net loss on divestitures.............	806
Total repositioning charge.........	$2,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 REPOSITIONING CHARGE (CONTINUED)

The severance charges were related to a reduction in force of 47 employees, largely among support personnel, and were completed in the fourth quarter of fiscal 1997.

The cash payments relating to the repositioning charge totaled approximately $1.4 million. Cash payments totaling $1.1 million and $308 thousand were made during fiscal 1998 and 1997, respectively.

During fiscal 1996, the Company sold its Methuen, Massachusetts plant which resulted in a $320 thousand repositioning credit attributable to the reversal of certain accruals as a result of an earlier than expected disposition of this facility.

NOTE 6 INCOME TAXES

Income (loss) before income taxes consisted of (in thousands):

	1998	1997	1996
Domestic..	$11,027	$(13,520)	$3,553
Foreign...	420	(2,052)	910
	$11,447	$(15,572)	$4,463

The provision for income taxes consisted of (in thousands):

	1998	1997	1996
Current income taxes			
Federal...	$ 221	$ ---	$ 69
State...	683	(119)	108
Foreign...	241	119	492
	$ 1,145	$ ---	$ 669

The provision for income taxes is different from that which would be obtained by applying the statutory Federal income tax rate to income (loss) before income taxes. The items causing this difference are as follows (in thousands):

	1998	1997	1996
Tax expense (benefit) at U.S. statutory rate............	$ 3,892	$(5,294)	$1,517
Alternative minimum tax.................................	221	---	---
State income taxes, net of federal benefit..............	451	79	71
Change in valuation allowance...........................	(3,375)	5,189	(882)
Other net...	(44)	26	(37)
	$ 1,145	$ ---	$ 669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 29, 1998 and March 30, 1997 are as follows (in thousands):

	1998	1997
Deferred tax assets:		
Accounts receivable due to bad debts.....................	$ 235	$ 195
Inventories due to reserves and inventory capitalization..	1,238	1,417
Accrued liabilities......................................	2,494	1,584
Deferred compensation....................................	140	102
Other..	24	7
Net operating loss carryforward..........................	8,723	13,109
Charitable contribution carryforward.....................	30	37
Minimum tax credits and state tax credit carryforwards....	1,045	555
Total gross deferred tax assets.........................	13,929	17,006
Less valuation allowance................................	(10,128)	(13,503)
Net deferred tax assets.................................	3,801	3,503
Deferred tax liabilities:		
Property, plant and equipment due to depreciation.........	(3,801)	(3,503)
Total gross deferred tax liability......................	(3,801)	(3,503)
Net deferred tax..	$ ---	$ ---

The valuation allowance for deferred tax assets as of March 29, 1998 and March 30, 1997 was $10.1 million and $13.5 million, respectively. The net change in the total valuation allowance for the years ended March 29, 1998 and March 30, 1997 was a decrease of $3.4 million and an increase of $5.2 million, respectively.

Cash payments for income taxes were $342 thousand, $149 thousand and $241 thousand in fiscal 1998, 1997 and 1996, respectively. As of March 29, 1998, the Company has available for income tax purposes approximately $26 million in federal net operating loss carryforwards which may be used to offset future taxable income. These loss carryforwards begin to expire in fiscal year 2004. Should the Company undergo an ownership change as defined in Section 382 of the Internal Revenue Code, the Company's tax net operating loss carryforwards generated prior to the ownership change will be subject to an annual limitation which could reduce or defer the utilization of these losses. The Company also has minimum tax credit carryforwards of approximately $264 thousand which are available to reduce future federal regular income taxes, if any, over an indefinite period. In addition, the Company has state tax credit carryforwards of $781 thousand of which $244 thousand is available to reduce state income taxes over an indefinite period.

The Company has not recognized a deferred tax liability of approximately $306 thousand for the undistributed earnings of its 100 percent owned foreign subsidiaries that arose in 1998 and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 29, 1998, the undistributed earnings of these subsidiaries were approximately $899 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7   COMMON STOCK

LONG-TERM INCENTIVE PLAN

The Company has Long-Term Incentive Plans adopted in 1986 and 1996 pursuant to which stock options, with or without stock appreciation rights, may be granted and restricted stock awards and book value awards may be made.

Common Stock Options

These options may be granted in the form of incentive stock options or non-qualified stock options. The option price may vary at the discretion of the Compensation Committee but shall not be less than the greater of fair market value or par value. The option term may not exceed ten years. The options may be exercised in cumulative annual increments commencing one year after the date of grant. A total of 2,000,000 shares are authorized for grant under the Company's Long-Term Incentive Plans. The number of common shares reserved for granting of future awards is 75,550, 328,500, and 214,373, at March 29, 1998, March 30, 1997 and March 31, 1996 respectively.

Restricted Stock Awards

No restricted shares of the Company's common stock were issued during fiscal 1998 and 1997. For fiscal 1996, a total of 8,500 restricted shares of the Company's common stock were granted to certain employees. The market value of shares awarded was $51 thousand for fiscal 1996. This amount was recorded as unearned compensation - restricted stock and is shown as a separate component of stockholders' equity. Unearned compensation is being amortized to expense over the five year vesting period and amounted to $31 thousand, $35 thousand, and $61 thousand in fiscal 1998, 1997, and 1996, respectively.

LONG-TERM COMPENSATION PLAN

On October 1, 1990, the Company adopted a Supplemental Executive Retirement Plan (SERP) for certain key executives. Benefits payable under this plan are based upon the participant's base pay at retirement reduced by proceeds from the exercise of certain stock options. Options vest over a five year period. Benefits earned under the SERP are fully vested at age 55, however, the benefit is ratably reduced if the participant retires prior to age 65. Compensation expense related to the plan was $127 thousand, $106 thousand, and $62 thousand in fiscal 1998, 1997, and 1996, respectively. Total benefits accrued under these plans were $308 thousand at March 29, 1998 and $180 thousand at March 30, 1997.

NOTE 7 COMMON STOCK (CONTINUED)

A summary of stock option and restricted stock award transactions follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE OF SHARES UNDER PLAN
Balance outstanding at April 2, 1995	869,225	$ 3.14
Granted	115,500	12.36
Exercised	(78,432)	2.82
Restricted	(22,664)	--
Cancelled	(44,242)	6.06
Balance outstanding at March 31, 1996	839,387	4.38
Granted	598,500	8.36
Exercised	(172,750)	2.73
Restricted	(23,164)	--
Cancelled	(186,503)	8.61
Balance outstanding at March 30, 1997	1,055,470	6.21
Granted	260,000	11.37
Exercised	(345,994)	3.45
Restricted	(11,666)	--
Cancelled	(29,033)	9.16
Balance outstanding at March 29, 1998	928,777	$ 8.47

The fair value of each option grant was estimated on the grant date using the Black-Scholes Option-Pricing Model with the following weighted average assumptions:

	1998	1997	1996
Expected volatility	71%	85%	85%
Risk free interest rate	6%	7%	7%
Dividend yield	0%	0%	0%
Expected option life (years)	4.4	9.95	9.95

Options exercisable at the end of each fiscal year:

	Shares	Weighted-average exercise price
1998	229,355	$5.93
1997	422,936	$3.25
1996	486,259	$2.73

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 COMMON STOCK (CONTINUED)

Weighted-average fair value of options granted during the year:

1998	$11.37
1997	$ 8.36
1996	$12.36

The following table summarizes information concerning currently outstanding and exercisable options as of March 29, 1998:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average outstanding option price	Options exercisable	Weighted average exercise price
$2.375 - $5.00	121,240	4.2	$ 2.83	111,305	$ 2.77
$5.01 - $10.00	599,884	8.6	$ 7.99	98,650	$ 8.22
$10.01 - $15.00	139,817	8.5	$13.60	19,400	$12.47
$15.01 - $19.38	50,500	9.7	$16.41	---	---
Restricted	17,336	0.8	---	---	---
	928,777			229,355	

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option and employee stock purchase plans, accordingly, no compensation expense has been recognized in the consolidated financial statements for such plans. Had compensation cost for the Company's stock option plans been determined based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed under SFAS 123, "Accounting for Stock-based Compensation," the Company's net income (loss) would have been reduced to the pro forma amounts indicated below.

(in thousands)		1998	1997	1996
Net income (loss)	As reported	$ 10,302	$(15,572)	$ 3,794
	Pro forma	$ 9,650	$(15,921)	$ 3,655
Net income (loss) per share	As reported	$ 0.98	$ (1.58)	$ 0.43
	Pro forma	$ 0.92	$ (1.62)	$ 0.42

The effect of applying SFAS 123 as shown in the above pro forma disclosure is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to fiscal year 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 COMMON STOCK (CONTINUED)

STOCK PURCHASE WARRANTS

In April 1994, the Company amended its line of credit agreement and issued 50,000 stock purchase warrants to Silicon Valley Bank. The warrants were exercisable at $3.75 per share and were scheduled to expire on April 1, 1999. During fiscal 1998 Silicon Valley Bank exercised the 50,000 stock purchase warrants.

STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

The Company has two stock option plans for non-employee directors. The 1994 Non-Qualified Stock Option Plan for Non-Employee Directors provides a total of 50,000 options that may be granted. A grant of 5,000 options is granted to each new director upon becoming a member of the Board. A total of 30,000 options remain available for grant under this plan. The 1997 Non-Qualified Stock Option Plan for Non-Employee Directors provides a total of 100,000 options that may be granted. A grant of 15,000 options (including any options granted under the 1994 plan) is granted to a new director upon becoming a member of the Board. In addition, a grant of 5,000 options for each continuing director is granted after each Annual Stockholders Meeting. Under both of these plans the option price is the fair market value at the time the option is granted. Options are exercisable 20% per year. During fiscal 1998, 75,000 shares were granted at prices of $19.75 or $15.50. No options were granted during fiscal 1997. During fiscal 1996, 5,000 shares were granted at $17.875 per share. At March 29, 1998 a total of 95,000 options have been granted under these two plans. During fiscal 1998, 3,000 options were exercised at an exercise price of $5.875. At March 29, 1998, 8,000 shares were exercisable.

STOCK PURCHASE PLAN

In December 1989, the Company adopted an employee stock purchase plan. The plan was amended in October 1992 to provide for six month offering periods. Under the plan, eligible employees may purchase common stock through payroll deductions of up to 10% of compensation. The price per share is the lower of 85% of the market price at the beginning or end of the offering period. The plan originally provided for purchases by employees of up to an aggregate of 300,000 shares through December 31, 1995. During fiscal 1996, the employee stock purchase plan was amended and extended through December 31, 1998. Shares of 19,760, 15,076, and 16,836, were purchased under this plan in fiscal 1998, 1997, and 1996, respectively.

NOTE 8   EMPLOYMENT BENEFIT PLAN

On March 31, 1995, the Company merged its Employee Stock Ownership Plan into the Alpha Industries, Inc. Saving and Retirement Plan also known as the 401(k) plan. All of the Company's employees who are at least 21 years old and have completed six months of service (1,000 hours in a 12 month period) with the Company are eligible to receive a Company contribution. Discretionary Company contributions are determined by the Board of Directors and may be in the form of cash or the Company's stock. The Company contributes a match of 100% of the first 1% and a 50% match on the next 4% of an employee's salary for employees with 5 years or less of service. For employees with more than 5 years of service the Company contributes a 100% match on the first 1% and a 75% match on the next 5% of an employee's salary. For fiscal 1998 and 1997, the Company contributed 61,747 and 110,956 shares, respectively of the Company's common stock valued at $833 thousand and $835 thousand to the 401(k) plan. During fiscal 1996, the Company contributed $101 thousand for the first three quarters and accrued $208 thousand that was distributed in the form of the Company's stock in fiscal 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9   COMMITMENTS AND CONTINGENCIES

The Company has various operating leases for manufacturing and engineering equipment and buildings. Rent expense amounted to $1.8 million, $1.9 million, and $1.6 million in fiscal 1998, 1997, and 1996, respectively. Purchase options may be exercised at various times for some of these leases. Future minimum payments under these leases are as follows (in thousands):

FISCAL YEAR	
1999	$1,001
2000	698
2001	605
2002	619
2003	590
Thereafter	1,244
	$4,757

The Company has been notified by federal and state environmental agencies of its potential liability with respect to the Spectron, Inc. Superfund site in Elkton, Maryland. Several hundred other companies have also been notified about their potential liability regarding this site. The Company continues to deny that it has any responsibility with respect to this site other than as a *de minimis* party. Management is of the opinion that the outcome of the aforementioned environmental matter will not have a material effect on the Company's operations or financial position.

The Company is party to suits and claims arising in the normal course of business. Management believes these are adequately provided for or will result in no significant additional liability to the Company.

NOTE 10   RELATED PARTY TRANSACTIONS

The Company has had transactions in the normal course of business with various related parties. Scientific Components Corporation, currently a beneficial owner of the Company's Common Stock purchased approximately $8.9 million, $5.1 million, and $4.3 million of products during fiscal 1998, 1997, and 1996, respectively. In addition, a director of the Company is also a former director of Scientific Atlanta, Inc. During fiscal 1998, 1997, and 1996, Scientific Atlanta, Inc. purchased approximately $471 thousand, $1 million, and $1.2 million of product, respectively.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Alpha Industries, Inc.:

We have audited the consolidated financial statements of Alpha Industries, Inc. and subsidiaries as listed in the accompanying index under Item 8. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index under Item 14. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpha Industries, Inc. and subsidiaries at March 29, 1998 and March 30, 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended March 29, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/KPMG Peat Marwick LLP
KPMG Peat Marwick LLP
Boston, Massachusetts
May 6, 1998

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See the section entitled "Election of Directors" appearing in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on September 14, 1998, to be filed within 120 days of the end of the Company's fiscal year, which section is incorporated herein by reference, and the section entitled "Executive Officers" under Item 1 of this Annual Report on Form 10-K.

ITEM 11 EXECUTIVE COMPENSATION

See the section entitled "Executive Compensation" appearing in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on September 14, 1998, which section is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See the section entitled "Securities Beneficially Owned by Certain Persons" appearing in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on September 14, 1998, which section is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the section entitled "Certain Relationships and Related Transactions" appearing in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on September 14, 1998, which section is incorporated herein by reference.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Index to Financial Statements

The financial statements filed as part of this report are listed on the index appearing on page 18.

2. Index to Financial Statement Schedules

The following financial statement schedule is filed as part of this report (page references are to this report):

Schedule II Valuation and Qualifying Accounts (page 44)

Other schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the financial statements or notes thereto.

3. Exhibits

(3) Certificate of Incorporation and By-laws.

(a) Restated Certificate of Incorporation (Filed as Exhibit 3 (a) to Registration Statement on Form S-3 (Registration No. 33-63857))*.

(b) Amended and restated By-laws of the Corporation dated April 30, 1992 (Filed as Exhibit 3(b) to the Annual Report on Form 10-K for the year ended March 29, 1992)*.

(4) Instruments defining rights of security holders, including indentures.

(a) Specimen Certificate of Common Stock (Filed as Exhibit 4(a) to Registration Statement on Form S-3 (Registration No. 33-63857))*.

(b) Frederick County Industrial Development Revenue Bond, Deed of Trust, Loan Agreement and Guaranty and Indemnification Agreement dated June 17, 1982 (Filed as Exhibit 4(g) to the Registration Statement on Form S-8 filed July 29, 1982)*. Bond and Loan Document Modification Agreement dated December 9, 1993 (Filed as Exhibit 4(c) to the Quarterly Report on Form 10-Q for the quarter ended December 26, 1993)*.

(c) Loan and Security Agreement dated December 15, 1993 between Trans-Tech, Inc., and County Commissioners of Frederick County (Filed as Exhibit 4(h) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1994)*.

(d) Stock Purchase Warrant for 50,000 shares of the Registrant's Common Stock issued to Silicon Valley Bank as of April 1, 1994 (Filed as Exhibit 4(i) to the Quarterly Report on Form 10-Q for the quarter ended July 3, 1994)*.

(e) Amended and restated Credit Agreement dated October 1, 1997 between Alpha Industries, Inc., and Trans-Tech Inc. and Fleet Bank of Massachusetts and Silicon Valley Bank (Filed as Exhibit 4(f) to the Quarterly Report on Form 10-Q for the quarter ended December 28, 1997)*.

(10) Material Contracts.

(a) Alpha Industries, Inc., 1986 Long-Term Incentive Plan as amended (Filed as Exhibit 10(a) to the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)*. (1)

(b) Alpha Industries, Inc., Employee Stock Purchase Plan as amended October 22, 1992 (Filed as Exhibit 10(b) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993)* and amended August 22, 1995 (Filed as Exhibit 10(b) to the Annual Report on Form 10-K for the fiscal year ended March 31, 1996)*. (1)

(c) SERP Trust Agreement between the Registrant and the First National Bank of Boston as Trustee dated April 8, 1991 (Filed as Exhibit 10(c) to the Annual Report on Form 10-K for the fiscal year ended March 31, 1991)*. (1)

(d) Alpha Industries, Inc., Long-Term Compensation Plan dated September 24, 1990 (Filed as Exhibit 10(i) to the Annual Report on Form 10-K for the fiscal year ended March 29, 1992)*; amended March 28, 1991 (Filed as Exhibit 10 (a) to the Quarterly Report on Form 10-Q for the quarter ended June 27, 1993)* and as further amended October 27, 1994 (Filed as Exhibit 10(f) to the Annual Report on Form 10-K for the fiscal year ended April 2, 1995)*. (1)

(e) Master Equipment Lease Agreement between AT&T Commercial Finance Corporation and the Registrant dated June 19, 1992 (Filed as Exhibit 10(j) to the Annual Report on Form 10-K for the fiscal year ended March 28, 1993)*.

(f) Severance Agreement dated January 13, 1997 between the Registrant and Thomas C. Leonard (Filed as Exhibit 10(f) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*. (1)

(g) Severance Agreement dated May 20, 1997 between the Registrant and David J. Aldrich (Filed as Exhibit 10(g) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*. (1)

(h) Severance Agreement dated January 14, 1997 between the Registrant and Richard Langman (Filed as Exhibit 10(h) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*. (1)

(i) Consulting Agreement dated August 13, 1992 between the Registrant and Sidney Topol (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended April 3, 1994)*.(1)

(j) Master Lease Agreement between Comdisco, Inc. and the Registrant dated September 16, 1994 (Filed as Exhibit 10(q) to the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)*.

(k) Alpha Industries, Inc., 1994 Non-Qualified Stock Option Plan for Non-Employee Directors (Filed as Exhibit 10(r) to the Quarterly Report on Form 10-Q for the quarter ended October 2, 1994)*. (1)

(l) Alpha Industries Executive Compensation Plan dated January 1, 1995 and Trust for the Alpha Industries Executive Compensation Plan dated January 3, 1995 (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended April 2, 1995)*.(1)

(m) Alpha Industries, Inc. Savings and Retirement 401(k) Plan dated July 1, 1996 (Filed as Exhibit 10(n) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*.

(n) Change in Control Agreement between the Registrant and Paul E. Vincent dated August 23, 1996 (Filed as Exhibit 10(o) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*. (1)

(o) Change in Control Agreement between the Registrant and James C. Nemiah dated August 23, 1996 (Filed as Exhibit 10(p) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*.(1)

(p) Severance Agreement dated April 30, 1996 between the Registrant and Jean Pierre Gillard (Filed as Exhibit 10(q) to the Annual Report on Form 10-K for the fiscal year ended March 30, 1997)*.(1)

(q) Lease Agreement between MIE Properties, Inc. and Trans-Tech, Inc. (Filed as Exhibit 10(r) to the Quarterly Report on Form 10-Q for the quarter ended September 29, 1996)*.

(r) Alpha Industries, Inc., 1997 Non-Qualified Stock Option Plan for Non-Employee Directors. (1)

(11) Statement re computation of per share earnings. See Note 1 to the Consolidated Financial Statements.

(21) Subsidiaries of the Registrant.

(23) Consent of Independent Auditors.

(27) Financial Data Schedules.

(b) Reports on Form 8-K

On January 29, 1998, the Company filed a Current Report of Form 8-K, concerning changes to the membership of the Board of Directors of the Registrant.

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*Not filed herewith. In accordance with Rule 12b-32 promulgated pursuant to the Securities Exchange Act of 1934, as amended, reference is hereby made to documents previously filed with the Commission, which are incorporated by reference herein.

(1) Management Contracts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALPHA INDUSTRIES, INC.
(REGISTRANT)

BY: /S/ THOMAS C. LEONARD

THOMAS C. LEONARD, PRESIDENT

Date: June 22, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on June 22, 1998.

SIGNATURE AND TITLE	SIGNATURE AND TITLE
/s/ GEORGE S. KARIOTIS George S. Kariotis Chairman of the Board	/s/ TIMOTHY R. FUREY Timothy R. Furey Director
/s/ THOMAS C. LEONARD Thomas C. Leonard Chief Executive Officer President and Director	/s/ ARTHUR PAPPAS Arthur Pappas Director
/s/ PAUL E. VINCENT Paul E. Vincent Chief Financial Officer Principal Financial Officer Principal Accounting Officer	/s/ RAYMOND SHAMIE Raymond Shamie Director
	/s/ SIDNEY TOPOL Sidney Topol Director

Alpha Industries, Inc. and Subsidiaries

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF YEAR
Year Ended March 29, 1998				
Allowance for doubtful accounts.............	$ 521	$ 257	$ 144	$ 634
Allowance for estimated losses on contracts..	$ 3	$ 33	$ --	$ 36
Year Ended March 30, 1997				
Allowance for doubtful accounts.............	$ 634	$ 206	$ 319	$ 521
Allowance for estimated losses on contracts..	$ 24	$ --	$ 21	$ 3
Year Ended March 31, 1996				
Allowance for doubtful accounts.............	$ 783	$ 60	$ 209	$ 634
Allowance for estimated losses on contracts..	$ 117	$ --	$ 93	$ 24

EXHIBIT 10(R)

ALPHA INDUSTRIES, INC.

1997 NON-QUALIFIED STOCK OPTION PLAN

FOR NON-EMPLOYEE DIRECTORS

1. <u>Purpose</u>. The appropriate purpose of this 1997 Non-Qualified Stock Option Plan for Non-Employee Directors is to attract and retain the services of experienced and knowledgeable independent directors of the Corporation for the benefit of the Corporation and its stockholders and to provide additional incentives for such independent directors to continue to work for the best interests of the Corporation and its stockholders through continuing ownership of its common stock.

2. <u>Definitions</u>. As used herein, each of the following terms has the indicated meaning:

"Annual Meeting" means the Corporation's annual meeting of stockholders or special meeting in lieu of annual meeting of stockholders at which one or more directors are elected.

"Board" means the Board of Directors of the Corporation.

"Corporation" means Alpha Industries, Inc.

"Fair Market Value" means the closing sale price quoted on the American Stock Exchange or such other national securities exchange or automated quotation system on which the Shares may be traded or quoted on the date of the granting of the Option.

"Non-Employee Director" means a person who, as of any applicable date, is a member of the Board and (i) is not an officer of the Corporation or a Subsidiary, or otherwise employed by the Corporation or a Subsidiary, (ii) does not receive compensation, either directly or indirectly, from the Corporation or a Subsidiary, for services rendered as a consultant or in any capacity other than as a member of the Board, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Rule 404(a) of Regulation S-K ("Regulation S-K") promulgated pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "1934 Act"), (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Rule 404(a) of Regulation S-K, and (iv) is not engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b) of Regulation S-K.

"Option" means the contractual right to purchase Shares upon the specific terms set forth in this Plan.

"Option Exercise Period" means the period commencing one (1) year after the date of grant of an Option pursuant to this Plan and ending ten years from the date of grant.

"Plan" means this Alpha Industries, Inc. 1997 Non-Qualified Stock Option Plan for Non-Employee Directors.

"Shares" means the Common Stock, $.25 par value per share, of the Corporation.

"Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Corporation if, at the time of grant of the Option, each of the corporations other than the last in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. Stock Subject to the Plan. The aggregate number of Shares that may be issued and sold under the Plan shall be 100,000. The Shares to be issued upon exercise of Options granted under this Plan shall be made available, at the discretion of the Board, from (i) treasury Shares and Shares reacquired by the Corporation for such purposes, including Shares purchased in the open market, (ii) authorized but unissued Shares, and (iii) Shares previously reserved for issuance upon exercise of Options which have expired or been terminated. If any Option granted under this Plan shall expire or terminate for any reason without

having been exercised in full, the unpurchased Shares covered thereby shall become available for grant under additional Options under the Plan so long as it shall remain in effect.

4. Administration of the Plan. The Plan shall be administered by the Board. The Board shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Option issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

5. Eligibility. Options shall be granted only to Non-Employee Directors.

6. Grant of Options.

(a) On the effective date of this Plan, each Non-Employee Director shall be granted an Option to purchase 15,000 Shares.

(b) Each year, immediately following the Corporation's Annual Meeting, each then Non-Employee Director shall be granted an Option to purchase 5,000 Shares.

(c) Upon initial election by the stockholders or appointment by the Board as a Non-Employee Director, immediately following the Annual Meeting at which such Non-Employee Director is first elected by the stockholders or immediately following the meeting of the Board at which such Non-Employee Director is appointed by the Board, each Non-Employee Director shall be granted an Option to purchase 15,000 Shares .

7. Terms of Options and Limitations Thereon.

(a) Option Agreement. Each Option granted under this Plan shall be evidenced by an Option agreement between the Corporation and the Option holder and shall be upon such terms and conditions, not inconsistent with this Plan, as the Board may determine.

(b) Price. The price at which any Shares may be purchased pursuant to the exercise of an Option shall be the greater of the Fair Market Value of the Shares on the date of grant or par value.

(c) Exercise of Option. Each Option granted under this Plan may be exercised as follows:

(i) beginning on the first anniversary of the date of grant, for up to 20% of the Shares covered by the Option; and

(ii) beginning on each anniversary of the date of grant thereafter, for up to an additional 20% of such Shares for each additional year, until, on the fifth anniversary of the date of grant, the Option may be exercised as to 100% of the Shares covered by the Option, until the expiration of the Option

Exercise Period.

Options may be exercised in whole or in part, from time to time, only during the Option Exercise Period, by the giving of written notice, signed by the holder of the Option, to the Corporation stating the number of Shares with respect to which the Option is being exercised, accompanied by full payment for such Shares pursuant to section 8(a) hereof; provided however, (i) if a person to whom an Option has been granted ceases to be a Non-Employee Director during the Option Exercise Period by reason of retirement, death or any reason, other than termination for cause, such Option shall be exercisable by him or her or by the executors, administrators, legatees or distributees of his or her estate until the earlier of (A) the end of the Option Exercise Period or (B) 12 months following his or her retirement or death or the date on which he or she ceased to be a Non-Employee Director; and (ii) if a person to whom an Option has been granted ceases to be a Non-Employee Director of the Corporation by reason of termination for cause, such Option shall terminate as of the date such person ceased to be a Non-Employee Director. Termination for cause shall be defined as termination on account of any act of (i) fraud or intentional misrepresentation, or (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Corporation or any Subsidiary.

(d) Non-Assignability. No Option, or right or interest in an Option, shall be assignable or transferable by the holder, except by will, the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined in the Internal Revenue Code of 1986, as amended, or Title I of the

Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder), and during the lifetime of the holder shall be exercisable only by him or her.

8. Payment.

(a) The purchase price of Shares upon exercise of an Option shall be paid by the Option holder in full upon exercise, and may be paid (i) in cash, (ii) by delivery of Shares valued at Fair Market Value on the date of exercise, including, to the extent permitted under the Rule 16b-3 as defined in Paragraph 12(c), below, exempting certain transactions from the short swing trading provisions of Section 16 of the 1934 Act, by way of so-called "cashless exercise" and the netting of the number of Shares issuable upon exercise against that number of Shares subject to the Option having an aggregate Fair Market Value equal to the aggregate exercise price, or (iii) any combination of cash and Shares, as the Board may determine.

(b) No Shares shall be granted under this Plan or issued or transferred upon exercise of any Option under this Plan unless and until all legal requirements applicable to the issuance or transfer of such Shares, and such other requirements as are consistent with the Plan, have been complied with to the satisfaction of the Board, including without limitation those described in Paragraph 12 hereof.

9. Stock Adjustments.

(a) If the Corporation is a party to any merger or consolidation, any purchase or acquisition of property or stock, or any separation, reorganization or liquidation, the Board (or, if the Corporation is not the surviving corporation, the board of directors of the surviving corporation) shall have the power to make arrangements, which shall be binding upon the holders of unexpired Options, for the substitution of new options for, or the assumption by another corporation of, any unexpired Options then outstanding hereunder.

(b) If by reason of recapitalization, reclassification, stock split, combination of shares, separation (including a spin-off) or dividend on the stock payable in Shares, the outstanding Shares of the Corporation are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation, the Board shall conclusively determine the appropriate adjustment in the exercise prices of outstanding

Options and in the number and kind of shares as to which outstanding Options shall be exercisable, in such manner as to result in the Options being exercisable.

(c) In the event of a transaction of the type described in paragraphs (a) and (b) above, the total number of Shares on which Options may be granted under this Plan shall be appropriately adjusted by the Board.

10. Change of Control Provisions.

(a) Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, any Options outstanding as of the date such Change of Control is determined to have occurred and not then exercisable shall become fully exercisable to the full extent of the original grant.

(b) A "Change of Control" shall mean:

(i) there shall have been consummated (a) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving entity pursuant to which the Shares are converted into cash, securities or other property, other than a merger of the Corporation in which the ownership by the Corporation's stockholders of the securities in the surviving entity is in the same proportion as the ownership by the Corporation's stockholders of the stock in the Corporation immediately prior to the merger or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation; or

(ii) the stockholders of the Corporation have approved any plan or proposal for the liquidation or dissolution of the Corporation; or

(iii) any person (as that term is used in Sections 13(d) and 14(d)(2) of the 1934 Act) has become the beneficial owner (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 30% or more of the Corporation's outstanding Shares; or

(iv) that during any period of two consecutive years, individuals who, at the beginning of such period, constitute the entire Board shall cease, for any reason, to constitute a majority thereof, unless the election, or the nomination for election by the Corporation's stockholders, of each new director was approved by a vote of at least three-quarters of the directors then still in office who were directors at the beginning of the period.

11. No Rights Other Than Those Expressly Created. No person affiliated with the Corporation or any Subsidiary or other person shall have any claim or right to be granted an Option hereunder. Neither this Plan nor any action taken hereunder shall be construed as (i) giving any Option holder any right to continue to be affiliated with the Corporation, (ii) giving any Option holder any equity or interest of any kind in any assets of the Corporation, or (iii) creating a trust of any kind or a fiduciary relationship of any kind between the Corporation and any such person. No Option holder shall have any of the rights of a stockholder with respect to Shares covered by an Option, until such time as the Option has been exercised and Shares have been issued to such person.

12. Miscellaneous.

(a) Withholding of Taxes. Pursuant to applicable federal, state, local or foreign laws, the Corporation may be required to collect income or other taxes upon the grant of an Option to, or exercise of an Option by, a holder. The Corporation may require, as a condition to the exercise of an Option, that the recipient pay the Corporation, at such time as the Board determines, the amount of any taxes which the Board may determine is required to be withheld.

(b) Securities Law Compliance. Upon exercise of an Option, the holder shall be required to make such representations and furnish such information as may, in the opinion of counsel for the Corporation, be appropriate to permit the Corporation to issue or transfer the Shares in compliance with the provisions of applicable federal or state securities laws. The Corporation, in its discretion, may postpone the issuance and delivery of Shares, upon any exercise of an Option, until completion of such registration or other qualification of such Shares under any federal or state laws, or stock exchange listing, as the Corporation may consider appropriate. The Corporation intends to register or qualify the Shares under federal and state securities laws, but is not obligated to register or qualify the Shares under such laws and may refuse to issue such Shares if neither registration nor exemption therefrom is practical. The Board may require that prior to the issuance or transfer of any Shares upon exercise of an Option, the recipient enter into a written agreement to comply with any restrictions on subsequent disposition that the Board or the Corporation deems necessary or advisable under any applicable federal and state securities laws. Certificates representing the Shares issued hereunder may contain a legend reflecting such restrictions.

(c) Compliance with Rule 16b-3. With respect to a person subject to Section 16 of the 1934 Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors ("Rule 16b-3") under the 1934 Act. To the extent any provision of the Plan or action by the administrators of the Plan fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the administrators of the Plan.

(d) Indemnity. The Board shall not be liable for any act, omission, interpretation, construction or determination made in good faith in connection with their responsibilities with respect to the Plan, and the Corporation hereby agrees to indemnify the members of the Board, in respect of any claim, loss, damage, or expense (including counsel fees) arising from any such act, omission, interpretation, construction or determination, to the full extent permitted by law.

(e) Options Not Deemed Incentive Stock Options. Options granted under the Plan shall not be deemed incentive stock options as that term is defined in Section 422 of the Internal Revenue Code of 1986, as amended.

13. Effective Date; Amendment; Termination.

(a) The effective date of this Plan shall be the date of the approval of the Board.

(b) The Board may at any time, and from time to time, amend, suspend or terminate this Plan in whole or in part, provided, however, that the provisions of this Plan relating to the amount and price of securities to be awarded and the timing of such awards may not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder. However, except as provided herein, no amendment, suspension or

termination of this Plan may affect the rights of any person to whom an Option has been granted without such person's consent .

(c) This Plan shall terminate five years from its effective date, and no Option shall be granted under this Plan thereafter, but such termination shall not affect the validity of Options granted prior to the date of termination.

Date of Board of Directors Adoption: September 15, 1997

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction Of Incorporation
Alpha Industries Limited	England
Alpha Industries GmbH	Germany
Alpha Securities Corporation	Massachusetts
CFP Holding Company, Inc.	Washington
Trans-Tech, Inc.	Maryland
Trans-Tech Europe SARL	France

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Alpha Industries, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-32957, No. 33-11356 and No. 33-47901) on Form S-8 of Alpha Industries, Inc. of our report dated May 6, 1998 relating to the consolidated balance sheets of Alpha Industries, Inc. and subsidiaries as of March 29, 1998 and March 30, 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows and related schedule for each of the years in the three-year period ended March 29, 1998, which report appears in the March 29, 1998 annual report on Form 10-K of Alpha Industries, Inc.

/s/KPMG Peat Marwick LLP
KPMG Peat Marwick LLP
Boston, Massachusetts
June 24, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ALPHA INDUSTRIES, INC. AND SUBSIDIARIES AS OF AND FOR THE TWELVE MONTHS ENDED MARCH 29, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ALPHA INDUSTRIES, INC. AND SUBSIDIARIES AS OF AND FOR THE TWELVE MONTHS ENDED MARCH 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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