

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 1, 2001

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

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. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| CLASS                                   | OUTSTANDING AT JULY 29, 2001 |
|---|------------------------------|
| -----                                   | -----                        |
| COMMON STOCK, PAR VALUE \$.25 PER SHARE | 43,978,759                   |

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

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## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

|  | JULY 1,<br>2001<br>(UNAUDITED) | APRIL 1,<br>2001<br>(AUDITED) |
|--|--------------------------------|-------------------------------|
| <b>ASSETS</b>  |                                |                               |
| Current assets   |                                |                               |
| Cash and cash equivalents.....   | \$ 60,516                      | \$ 68,802                     |
| Short-term investments (note 2).....   | 89,041                         | 84,982                        |
| Accounts receivable, trade, less allowance for doubtful<br>accounts of \$1,016 and \$921.....                          | 23,704                         | 36,984                        |
| Inventories (note 3).....  | 13,163                         | 15,661                        |
| Prepayments and other current assets.....  | 4,706                          | 3,169                         |
| Prepaid income taxes.....  | 3,439                          | 735                           |
| Deferred income taxes.....   | 8,599                          | 9,668                         |
|  | -----                          | -----                         |
| Total current assets.....  | 203,168                        | 220,001                       |
|  | -----                          | -----                         |
| Property, plant and equipment, less accumulated depreciation and<br>amortization of \$83,356 and \$78,247.....         | 114,878                        | 114,196                       |
| Other assets.....  | 2,284                          | 2,822                         |
|  | -----                          | -----                         |
| Total assets.....  | \$ 320,330                     | \$ 337,019                    |
|  | =====                          | =====                         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                |                               |
| Current liabilities  |                                |                               |
| Current maturities of long-term debt.....  | \$ 129                         | \$ 129                        |
| Accounts payable.....  | 9,273                          | 20,820                        |
| Accrued liabilities  |                                |                               |
| Payroll and related expenses.....  | 5,695                          | 7,283                         |
| Other accrued liabilities.....   | 2,788                          | 3,481                         |
|  | -----                          | -----                         |
| Total current liabilities.....   | 17,885                         | 31,713                        |
|  | -----                          | -----                         |
| Long-term debt, less current maturities.....   | 203                            | 235                           |
| Other long-term liabilities.....   | 2,266                          | 2,081                         |
| Deferred income taxes.....   | 2,742                          | 3,812                         |
|  | -----                          | -----                         |
| Total liabilities.....   | 23,096                         | 37,841                        |
|  | -----                          | -----                         |
| Commitments and contingencies (note 6)   |                                |                               |
| Stockholders' equity   |                                |                               |
| Common stock par value \$.25 per share: authorized<br>100,000,000 shares; issued 43,644,372 and 43,520,880 shares..... | 10,911                         | 10,880                        |
| Additional paid-in capital.....  | 223,064                        | 221,147                       |
| Retained earnings.....   | 63,259                         | 67,179                        |
| Less - Treasury shares of 520 and 26,539 at cost.....  | ---                            | 28                            |
|  | -----                          | -----                         |
| Total stockholders' equity.....  | 297,234                        | 299,178                       |
|  | -----                          | -----                         |
| Total liabilities and stockholders' equity.....  | \$ 320,330                     | \$ 337,019                    |
|  | =====                          | =====                         |

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

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(In thousands, except per share data)

|  | FIRST QUARTERS ENDED |                 |
|--|----------------------|-----------------|
|  | JULY 1,<br>2001      | JULY 2,<br>2000 |
| Net sales.....                           | \$ 32,221            | \$ 65,688       |
| Cost of sales.....                       | 23,425               | 36,150          |
| Research and development expenses.....   | 9,803                | 7,895           |
| Selling and administrative expenses..... | 6,708                | 11,688          |
|  | -----                | -----           |
| Operating (loss) income.....             | (7,715)              | 9,955           |
| Interest expense.....                    | (14)                 | (16)            |
| Interest income and other, net.....      | 1,878                | 1,941           |
|  | -----                | -----           |
| (Loss) income before income taxes.....   | (5,851)              | 11,880          |
| (Credit) provision for income taxes..... | (1,931)              | 4,039           |
|  | -----                | -----           |
| Net (loss) income.....                   | \$ (3,920)           | \$ 7,841        |
|  | =====                | =====           |
| Basic (loss) earnings per share.....     | \$ (0.09)            | \$ 0.18         |
|  | =====                | =====           |
| Diluted (loss) earnings per share.....   | \$ (0.09)            | \$ 0.18         |
|  | =====                | =====           |
| Shares used in computing:                |                      |                 |
| Basic (loss) earnings per share.....     | 43,601               | 42,662          |
|  | =====                | =====           |
| Diluted (loss) earnings per share.....   | 43,601               | 44,786          |
|  | =====                | =====           |

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

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In thousands)

|   | QUARTERS ENDED  |                 |
|---|-----------------|-----------------|
|   | JULY 1,<br>2001 | JULY 2,<br>2000 |
| -----   |                 |                 |
| Cash provided by operations:  |                 |                 |
| Net (loss) income.....  | \$ (3,920)      | \$ 7,841        |
| Adjustments to reconcile net income to net cash provided by operations: |                 |                 |
| Depreciation and amortization of property, plant and equipment.....     | 5,108           | 3,570           |
| Gain on sale of property, plant and equipment.....                      | (50)            | --              |
| Deferred income taxes.....  | (1)             | --              |
| Increase (decrease) in other liabilities and long-term benefits.....    | 185             | (210)           |
| Decrease (increase) in other assets.....                                | 538             | (46)            |
| Changes in operating assets and liabilities:                            |                 |                 |
| Accounts receivable .....   | 13,280          | (10,595)        |
| Inventories.....  | 2,498           | (2,293)         |
| Prepayments and other current assets.....                               | (4,241)         | (4,400)         |
| Accounts payable.....   | (11,547)        | (1,820)         |
| Accrued liabilities.....  | (1,141)         | 8,006           |
|   | -----           | -----           |
| Net cash provided by operations.....                                    | 709             | 53              |
|   | -----           | -----           |
| Cash (used in) provided by investing activities:                        |                 |                 |
| Additions to property, plant and equipment.....                         | (5,790)         | (9,681)         |
| Proceeds from sale of equipment.....                                    | 50              | --              |
| Purchases of short-term investments.....                                | (38,407)        | (23,726)        |
| Maturities of short-term investments.....                               | 34,348          | 38,634          |
|   | -----           | -----           |
| Net cash (used in) provided by investing activities.....                | (9,799)         | 5,227           |
|   | -----           | -----           |
| Cash provided by (used in) financing activities:                        |                 |                 |
| Payments on long-term debt.....   | (32)            | (2,960)         |
| Deferred charges related to long-term debt.....                         | --              | 1               |
| Exercise of stock options and warrants.....                             | 836             | 2,207           |
|   | -----           | -----           |
| Net cash provided by (used in) financing activities.....                | 804             | (752)           |
|   | -----           | -----           |
| Net (decrease) increase in cash and cash equivalents.....               | (8,286)         | 4,528           |
| Cash and cash equivalents, beginning of period.....                     | 68,802          | 23,219          |
|   | -----           | -----           |
| Cash and cash equivalents, end of period.....                           | \$ 60,516       | \$ 27,747       |
|   | =====           | =====           |
| -----   |                 |                 |
| Supplemental cash flow disclosures:                                     |                 |                 |
| Cash paid for income taxes.....   | \$ 78           | \$ 84           |
|   | =====           | =====           |
| Cash paid for interest.....   | \$ 12           | \$ 23           |
|   | =====           | =====           |
| -----   |                 |                 |
| Supplemental disclosure of non-cash operating activities:               |                 |                 |
| Tax benefit associated with the exercise of stock options.....          | \$ 695          | \$ 8,890        |
|   | =====           | =====           |
| Compensation expense related to stock options.....                      | \$ 35           | \$ 36           |
|   | =====           | =====           |
| Contribution of treasury shares to Savings and Retirement Plan.....     | \$ 410          | \$ --           |
|   | =====           | =====           |

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

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

## NOTE 1 BASIS OF PRESENTATION

The interim financial information included here is unaudited. In addition, the financial information does not include all disclosures required under accounting principles generally accepted in the United States of America because certain note information included in the Company's annual report to shareholders has been omitted and such information should be read in conjunction with the prior year's annual report. However, the financial information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The Company considers the disclosures adequate to make the information presented not misleading.

## NOTE 2 SHORT-TERM INVESTMENTS

The Company's short-term investments are classified as held-to-maturity. These investments consist primarily of commercial paper and securities issued by various federal agencies and corporations 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.

## NOTE 3 INVENTORIES

| Inventories consisted of the following: | JULY 1<br>2001 | APRIL 1,<br>2001 |
|---|----------------|------------------|
|   | (in thousands) |                  |
| Raw materials.....                      | \$ 4,222       | \$ 5,187         |
| Work-in-process.....                    | 5,912          | 7,868            |
| Finished goods.....                     | 3,029          | 2,606            |
|   | -----          | -----            |
|   | \$ 13,163      | \$ 15,661        |
|   | =====          | =====            |

## NOTE 4 SEGMENT INFORMATION

The Company is organized into two reportable segments as follows:

## SEMICONDUCTOR PRODUCTS:

The Semiconductor Products segment designs and manufactures gallium arsenide integrated circuits, other discrete semiconductors and multi-chip modules primarily for the global wireless communications and broadband markets.

## CERAMIC PRODUCTS:

The Ceramic Products segment designs and manufactures technical ceramic and magnetic products for the global wireless infrastructure and broadband markets.

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## NOTE 4 SEGMENT INFORMATION (CONTINUED)

The table below presents selected financial data by business segment for the periods indicated.

|                                | QUARTERS ENDED  |                  |
|--------------------------------|-----------------|------------------|
|                                | JULY 1,<br>2001 | JULY 2,<br>2000  |
|                                | (in thousands)  |                  |
| <b>NET SALES</b>               |                 |                  |
| Semiconductor Products.....    | \$ 26,182       | \$ 52,960        |
| Ceramic Products.....          | 6,039           | 12,728           |
|                                | \$ 32,221       | \$ 65,688        |
|                                | =====           | =====            |
| <b>OPERATING (LOSS) INCOME</b> |                 |                  |
| Semiconductor Products.....    | \$ (6,996)      | \$ 7,878         |
| Ceramic Products.....          | (719)           | 2,077            |
|                                | \$ (7,715)      | \$ 9,955         |
|                                | =====           | =====            |
|                                | JULY 1,<br>2001 | APRIL 1,<br>2001 |
|                                | (in thousands)  |                  |
| <b>NET LONG-LIVED ASSETS</b>   |                 |                  |
| Semiconductor Products.....    | \$ 97,931       | \$ 97,568        |
| Ceramic Products.....          | 16,947          | 16,628           |
|                                | \$ 114,878      | \$ 114,196       |
|                                | =====           | =====            |
|                                | JULY 1,<br>2001 | APRIL 1,<br>2001 |
|                                | (in thousands)  |                  |
| <b>TOTAL ASSETS</b>            |                 |                  |
| Semiconductor Products.....    | \$ 126,011      | \$ 138,614       |
| Ceramic Products.....          | 26,724          | 29,217           |
| Corporate.....                 | 167,595         | 169,188          |
|                                | \$ 320,330      | \$ 337,019       |
|                                | =====           | =====            |

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED)

## NOTE 4 SEGMENT INFORMATION (CONTINUED)

|                             | JULY 1,<br>2001 | APRIL 1,<br>2001 |
|-----------------------------|-----------------|------------------|
|                             | -----           | -----            |
|                             | (in thousands)  |                  |
| TOTAL CAPITAL EXPENDITURES  |                 |                  |
| Semiconductor Products..... | \$ 4,736        | \$ 8,293         |
| Ceramic Products.....       | 1,054           | 1,388            |
|                             | -----           | -----            |
|                             | \$ 5,790        | \$ 9,681         |
|                             | =====           | =====            |

## SIGNIFICANT CUSTOMERS

During the three months ended July 1, 2001, one customer and one value-added distributor accounted for approximately 22% and 13%, respectively, of the Company's total net sales. During the three months ended July 2, 2000, two customers accounted for approximately 32% and 14%, respectively, of the Company's total net sales. As of July 1, 2001 and July 2, 2000, one customer accounted for approximately 19% and 15%, respectively, of the Company's gross accounts receivable.

## NOTE 5 EARNINGS PER SHARE

A reconciliation of the weighted average number of shares outstanding used in the computation of the basic and diluted (loss) earnings per share for the three months ended July 1, 2001 and July 2, 2000 is as follows:

|  | JULY 1,<br>2001 | JULY 2,<br>2000 |
|--|-----------------|-----------------|
|  | -----           | -----           |
|  | (in thousands)  |                 |
| Weighted average shares (basic).....   | 43,601          | 42,662          |
| Effect of dilutive stock options.....  | --              | 2,124           |
|  | -----           | -----           |
| Weighted average shares (diluted)..... | 43,601          | 44,786          |
|  | =====           | =====           |

For the quarters ended July 1, 2001 and July 2, 2000, options to purchase approximately 6.7 million and 31,000 shares, respectively, were outstanding but not included in the computation of diluted earnings per share because their effect would have been antidilutive.

## NOTE 6 COMMITMENTS AND CONTINGENCIES

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.

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

## PART I - ITEM 2

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

## OVERVIEW

We design, develop, manufacture and market proprietary radio frequency, microwave frequency and millimeter wave frequency integrated circuits, discrete semiconductors and integrated modules for the wireless and broadband communications markets. We also design, develop, manufacture and market proprietary technical ceramic and magnetic products for the wireless infrastructure and broadband markets.

## RESULTS OF OPERATIONS

The following table shows our statement of operations data as a percentage of sales for the periods indicated.

|  | Quarter Ended   |                 |
|--|-----------------|-----------------|
|  | July 1,<br>2001 | July 2,<br>2000 |
| Net sales.....                           | 100.0%          | 100.0%          |
| Cost of sales .....                      | 72.7            | 55.0            |
| Gross margin.....                        | 27.3            | 45.0            |
| Research and development expenses.....   | 30.4            | 12.0            |
| Selling and administrative expenses..... | 20.8            | 17.8            |
| Operating (loss) income.....             | (23.9)          | 15.2            |
| Other income, net.....                   | 5.8             | 2.9             |
| (Loss) income before income taxes.....   | (18.2)          | 18.1            |
| (Credit) provision for income taxes..... | (6.0)           | 6.1             |
| Net (loss) income.....                   | (12.2)%         | 11.9%           |

**NET SALES.** Net sales decreased 50.9% to \$32.2 million for the first quarter of fiscal 2002 from \$65.7 million for the first quarter of fiscal 2001. Orders decreased 67.1% to \$23.7 million for the first quarter of fiscal 2002, compared with \$72.2 million for the same period last year. A downturn in the wireless and broadband markets resulted in lower sales during the first quarter of fiscal 2002 in both of our business segments- Semiconductor Products and Ceramic Products- when compared to the first quarter of fiscal 2001. Deliveries to one customer and one value-added distributor represented approximately 22% and 13%, respectively, of our total net sales for the first three months of fiscal 2002. Deliveries to two customers represented approximately 32% and 14%, respectively, of our total net sales for the first quarter of fiscal 2001.

**GROSS PROFIT.** Gross profit decreased 70.2% to \$8.8 million or 27.3% of net sales for the first quarter of fiscal 2002 from \$29.5 million or 45.0% of net sales for the comparable period last year. This decrease was primarily due to the decline in sales and the resulting underutilization of manufacturing capacity.

**RESEARCH AND DEVELOPMENT EXPENSES.** Research and development expenses increased 24.2% to \$9.8 million or 30.4% of net sales for the first quarter of fiscal 2002 from \$7.9 million or 12.0% of net sales for the comparable period last year. The increase in research and development expenses was primarily the result of our continued commitment to meeting our customers' changing product requirements, including the migration from individual chips to integrated radio frequency module solutions. During the first quarter ended July 1, 2001, we announced the introduction of the world's first tri-band power amplifier module employing InGap HBT (indium gallium phosphide heterojunction bipolar transistor) process technology. This module is designed for use in existing dual-mode wireless handsets and is fully GPRS (General Packet Radio Service) compliant.

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

**SELLING AND ADMINISTRATIVE EXPENSES.** Selling and administrative expenses decreased 42.6% to \$6.7 million or 20.8% of net sales for the first quarter of fiscal 2002 from \$11.7 million or 17.8% of net sales for the first quarter of fiscal 2001. The decrease in selling and administrative expenses was primarily the result of a reduction in sales commission expenses due to lower sales levels and to specific actions taken to reduce costs, including a reduction in workforce and modification of employee work schedules, as well as management of discretionary spending.

**OTHER INCOME (EXPENSE), NET.** Other income, net, for the first quarter of fiscal 2002 remained consistent at approximately \$1.9 million when compared to the first quarter of fiscal 2001. Other income, net, consists primarily of interest income generated by our cash, cash equivalents and short-term investments.

**CREDIT FOR INCOME TAXES.** The credit for income taxes has been recorded based on the current estimate of our effective tax rate of 33%. This rate differs from the statutory federal income tax rate primarily because of state and federal tax credits.

**BUSINESS SEGMENTS**

The table below displays sales and operating income by business segment for the first quarters of fiscal 2002 and 2001.

|                                | Quarters Ended  |                 |
|--------------------------------|-----------------|-----------------|
|                                | July 1,<br>2001 | July 2,<br>2000 |
|                                | -----           | -----           |
|                                | (in thousands)  |                 |
| <b>NET SALES</b>               |                 |                 |
| Semiconductor Products.....    | \$ 26,182       | \$ 52,960       |
| Ceramic Products.....          | 6,039           | 12,728          |
|                                | -----           | -----           |
|                                | \$ 32,221       | \$ 65,688       |
|                                | =====           | =====           |
| <b>OPERATING (LOSS) INCOME</b> |                 |                 |
| Semiconductor Products.....    | \$ (6,996)      | \$ 7,878        |
| Ceramic Products.....          | (719)           | 2,077           |
|                                | -----           | -----           |
|                                | \$ (7,715)      | \$ 9,955        |
|                                | =====           | =====           |

**SEMICONDUCTOR PRODUCTS.** Net sales for the Semiconductor Products segment decreased 50.6% to \$26.2 million for the first quarter of fiscal 2002 from \$53.0 million for the same quarter last year. The decrease was primarily attributable to a downturn experienced in both of our targeted markets, wireless communications and broadband, during the first quarter of fiscal 2002.

Operating (loss) income for the Semiconductor Products segment decreased to an operating loss of \$7.0 million for the first quarter of fiscal 2002 compared to an operating income of \$7.9 million for the same quarter last year. The decline was primarily the result of the impact of relatively fixed operating costs against lower revenue during the quarter ended July 1, 2001.

**CERAMIC PRODUCTS.** Net sales for the Ceramic Products segment decreased 52.6% to \$6.0 million for the first quarter of fiscal 2002 from \$12.7 million for the same quarter last year. The decrease was primarily attributable to a downturn in the wireless infrastructure and broadband markets during the first quarter of fiscal 2002.

Operating (loss) income for the Ceramic Products segment decreased to an operating loss of \$719,000 for the first quarter of fiscal 2002 compared to an operating income of \$2.1 million for the same quarter last year. The decline was primarily due to lower revenue generated during the quarter ended July 1, 2001.

**FINANCIAL CONDITION**

At July 1, 2001, working capital totaled \$185.3 million, including \$149.6 million in cash, cash equivalents and short-term investments. Annualized inventory turns for the first quarter ended July 1, 2001 decreased to 7.1 compared to 10.2 for the same period last year. Additionally, days sales outstanding for the first quarter ended July 1, 2001 increased to 67 days compared to 62 days for the same period last year. During this quarter, we

continued to manage our working capital. Responding to the downturn in the wireless communications and broadband

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

markets, we delayed investment in certain capital expenditures and reduced our inventory levels, therefore minimizing our exposure to inventory obsolescence. We accomplished this while maintaining our commitment to investment in research and development and maintaining our manufacturing capability. Cash provided by operations for the quarter was \$709,000 and was primarily attributable to a decline in inventory and accounts receivable offset by a decrease in accounts payable.

During the first quarter of fiscal 2002, capital expenditures totaled \$5.8 million. Of the \$5.8 million, approximately \$4.7 million related to the Semiconductor Products segment as we continued our investment in major capital initiatives in the semiconductor gallium arsenide (GaAs) wafer fabrication operation and the integrated circuit and discrete semiconductor assembly and test areas. We are creating a GaAs IC line that will allow the manufacture of product on six-inch wafers. We are in the initial stages of development of this six-inch wafer production line, which we estimate will cost approximately \$30 million. We expect to complete this project within eighteen months. Once this new six-inch wafer production line is in operation, we plan to convert our existing four-inch wafer production areas to six-inch, as future demand requires. Improvements in manufacturing capabilities at our ceramics facilities accounted for approximately \$1.1 million of capital expenditures.

We believe that anticipated cash from operations, available funds and borrowings under our revolving credit agreement, together with the net proceeds from our fiscal 2000 stock offering, will be adequate to fund our currently planned working capital and capital expenditure requirements, at least through fiscal 2002.

## OTHER MATTERS

Safe Harbor Statement - Except for the historical information, this report contains forward-looking statements that reflect the Company's current expectations and predictions of future results, accomplishments, intentions and other matters, all of which are inherently subject to risks and uncertainties. The Company's actual results may differ materially from those anticipated in the Company's forward-looking statements, based on various factors. Such factors include, but are not limited to: variations in projected financial results for fiscal 2002 and the remaining quarters of fiscal 2002, the timing and extent of recovery in the broadband and wireless markets, expected benefits from and timing and success of the Company's product development and marketing efforts, Alpha's expected ability to generate pre-tax income, Alpha's ability to generate increased dollar content per platform, successful participation in new data services such as 3G, GPRS and 2.5G, the success of Alpha's various strategic relationships, Alpha's success in penetrating new markets in Asia and other geographies, Alpha's ability to provide advantageous cycle times and a range of product offerings, cancellation or postponement of customer orders, inability to predict customer orders and other factors affecting "visibility", the disproportionate impact of Alpha's business relationships with its larger customers, difficulty manufacturing products in sufficient quantity and quality, erosion of selling prices or margins, modifications of the Company's plans or intentions, and market developments, competitive pressures and changes in economic conditions that vary from the Company's expectations. Additional information on these and other factors that may cause actual results and the Company's performance to differ materially is included in the Company's periodic reports filed with the Securities and Exchange Commission, including but not limited to the Company's Form 10-K for the year ended April 1, 2001. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based.

## PART II - OTHER INFORMATION

## ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

## (10) Material Contracts

(c) Severance Agreement dated April 1, 2001 between the Registrant and David J. Aldrich.

## (b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the fiscal quarter ended July 1, 2001.

ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

SIGNATURES

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

Date: August 10, 2001  
-----

ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

-----

Registrant

/S/ David J. Aldrich

-----

David J. Aldrich  
Chief Executive Officer  
President

/S/ Paul E. Vincent

-----

Paul E. Vincent  
Chief Financial Officer  
Principal Financial Officer  
Principal Accounting Officer  
Secretary

## ALPHA INDUSTRIES, INC. AND SUBSIDIARIES

Listed and indexed below are all Exhibits filed as part of this report.

| EXHIBIT NO. | DESCRIPTION  |
|-------------|--|
| -----       | -----  |
| 10.c        | Severance Agreement dated April 1, 2001 between the Registrant and David J. Aldrich. |

ALPHA INDUSTRIES, INC.  
EXECUTIVE OFFICES  
20 Sylvan Road, P.O. Box 1044, Woburn MA 01801 \* (781)935-5150 \* Fax: (617) 824-4426

[ALPHA LOGO]

April 1, 2001

Mr. David Aldrich  
81 Cross Street  
Andover, MA 01810

Re: Severance Agreement

Dear Dave:

This letter sets out the severance arrangements concerning your employment with Alpha Industries, Inc. ("Alpha").

1. CHANGE IN CONTROL

1.1 If: (i) a Change in Control occurs while you are employed by Alpha as Chief Executive Officer, and (ii) your employment with Alpha is voluntarily or involuntarily terminated within two (2) years after the Change in Control, then you will receive the benefits provided in Section 1.3 below.

1.2 A "Change of Control" shall mean the Continuing Directors cease for any reason to constitute a majority of the Board of Directors of Alpha. For this purpose, a "Continuing Director" will include and be limited to any member of the Board of Directors of Alpha as of the date of this letter and any Director elected or nominated for election to the Board of Directors of Alpha by at least 75% of the then Continuing Directors.

1.3 On the date of any termination described in Section 1.1, (i) Alpha will pay you a lump sum equal to two times your total annual compensation for the twelve month period prior to the Change in Control, including all wages, salary, bonus and incentive compensation, whether or not includable in gross income for federal income tax purposes; and (ii) all of your Alpha stock options will become immediately exercisable and, except as otherwise stated in this agreement, remain exercisable for a period of one year after the termination date, subject to their other terms and conditions.

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## 2. TERMINATION WITHOUT CAUSE OR FOR GOOD REASON

- 2.1. If, while you are employed by Alpha as Chief Executive Officer, (i) your employment with Alpha is involuntarily terminated without Cause, or (ii) you terminate your employment with Alpha for Good Reason, then you will receive the benefits specified in Section 2.4 below. If your employment is terminated involuntarily by Alpha for Cause, you will not be entitled to receive the benefits specified in Section 2.4 below.
- 2.2. "Cause" will mean: (i) deliberate dishonesty significantly detrimental to the best interests of Alpha or any subsidiary or affiliate; (ii) conduct on your part constituting an act of moral turpitude; (iii) willful disloyalty to Alpha or refusal or failure to obey the directions of the Board of Directors; (iv) incompetent performance or substantial or continuing inattention to or neglect of duties assigned to you. Any determination of Cause must be made by the full Board of Directors at a meeting duly called, with you present and voting and, if you wish, with your legal counsel present.
- 2.3. "Good Reason" will mean you're no longer assigned the duties of Chief Executive Officer or you've been assigned duties inconsistent in any respect with your position as Chief Executive Officer of Alpha.
- 2.4. On the date of any termination described in Section 2.1, (i) Alpha will begin to pay you a continuing stream of salary payments for two years at an annual rate equal to your total annual compensation for the twelve month period prior to the termination, including all wages, salary, bonus and incentive compensation, whether or not includable in gross income for federal income tax; and (ii) all of your Alpha stock options, whether or not by their terms then exercisable, will become immediately exercisable and, except as otherwise stated in this agreement, remain exercisable for a period of one year after the termination date, subject to their other terms and conditions.

## 3. NON-COMPETITION

During the term of your employment with Alpha and for the first twenty-four (24) months after the date on which your employment with Alpha is voluntarily or involuntarily terminated (the "Noncompete Period"), you will not engage in any employment, consulting or other activity that competes with the business of Alpha or any subsidiary or affiliate of Alpha (collectively, the "Company"). You acknowledge and agree that your direct or indirect participation in the conduct of a competing business alone or with any other person will materially impair the business and prospects of Alpha. During the Noncompete Period, you will not (i) attempt to hire any director, officer, employee or agent of Alpha, (ii) assist in such hiring by any other person, (iii) encourage any person to terminate his or her employment or business relationship with Alpha, (iv) encourage any customer or supplier of Alpha to terminate its relationship with Alpha, or (v) obtain, or assist in

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obtaining, for your own benefit (other than indirectly as an employee of the Company) any customer of Alpha. If any of the restrictions in this Section 3 are adjudicated to be excessively broad as to scope, geographic area, time or otherwise, said restriction shall be reduced to the extent necessary to make the restriction reasonable and shall be binding on you as so reduced. Any provisions of this section not so reduced will remain in full force and effect.

It is understood that during the Noncompete Period, you will make yourself available to the Company for consultation on behalf of the Company, upon reasonable request and at a reasonable rate of compensation and at reasonable times in light of any commitment you may have to a new employer.

You understand and acknowledge that the Company's remedies at law for breach of any of the restrictions in this Section are inadequate and that any such breach will cause irreparable harm to Alpha. You therefore agree that in addition and as a supplement to such other rights and remedies as may exist in Alpha's favor, Alpha may apply to any court having jurisdiction to enforce the specific performance of the restrictions in this Section, and may apply for injunctive relief against any act which would violate those restrictions.

#### 4. PAYMENTS UNDER SECTIONS 2.4

Payments provided for in Section 2.4 of this letter will: (i) be paid in equal periodic installments at such intervals as Alpha will generally pay its officers, and (ii) be reduced by the amount of any compensation that you receive from any person for services rendered during the period in which you are receiving such payments. Payments provided for in Section 2.4 of this letter are further conditional upon your continued and faithful compliance with the restrictions stated in Section 3.

#### 5. DEATH OR DISABILITY

In the event of your death or disability at any time during your employment by Alpha, all of your then outstanding Company stock options, whether or not by their terms then exercisable, will become immediately exercisable and remain exercisable so long as you remain an employee or officer of Alpha and for a period of one year thereafter, subject to their other terms and conditions.

#### 6. MISCELLANEOUS

Notwithstanding anything in this letter to the contrary, no provision of this letter will operate to extend the term of any option beyond the ten (10) year term originally stated in the applicable option grant or option agreement. Further, and notwithstanding anything in this letter to the contrary, the provisions in this letter to the effect that your options shall remain exercisable for a period of one year after the termination date, shall only apply to those options issued to you during and after the fiscal year in which you were promoted to become President of the Company (i.e., these provisions shall only apply to those options issued to you after April 1,

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1999; the terms governing the exercise period of your other options shall not be affected by this letter).

This agreement contains the entire understanding of the parties concerning its subject matter. This agreement may be modified only by a written instrument executed by both parties. This agreement replaces and supersedes all prior agreements relating to your employment or severance. This agreement will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

Please sign both copies of this letter and return one to Alpha.

Sincerely,

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AGREED TO:

/s/ Thomas C. Leonard

/s/ David J. Aldrich

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Thomas C. Leonard,  
Chairman of the Board

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David J. Aldrich

Date: 5/7/01  
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