UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended JANUARY 28, 1996 or

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

For the transition period from _______________ to _______________

Commission file number 0-6920

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

Delaware	94-1655526
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3050 Bowers Avenue, Santa Clara, California	95054-3299
Address of principal executive offices	(Zip Code)

Registrant's telephone number, including area code (408) 727-5555

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

Number of shares outstanding of the issuer's common stock as of January 28, 1996: 179,442,000

PART I. FINANCIAL INFORMATION

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

(In thousands, except per share data)	Three Months Ended Jan. 28, 1996	Jan. 29, 1995
Net sales	$ 1,040,580	$ 506,108
Costs and expenses:		
Cost of products sold	543,780	268,096
Research, development and engineering	110,352	59,996
Marketing and selling	77,282	44,145
General and administrative	49,555	31,818
Income from operations	259,611	102,053
Interest expense	5,168	5,582
Interest income	9,597	4,772
Income from consolidated companies before taxes	264,040	101,243
Provision for income taxes	92,414	35,435
Income from consolidated companies	171,626	65,808
Equity in net income/loss of joint venture	-	-
Net income	$ 171,626	$ 65,808
Earnings per share	$ 0.93	$ 0.38
Average common shares and equivalents	184,001	172,616

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS*

(In thousands)		Jan. 28, 1996	Oct. 29, 1995
ASSETS	Current assets:		
	Cash and cash equivalents	$ 266,880	$ 285,845
	Short-term investments	545,725	483,487
	Accounts receivable, net	932,297	817,730
	Inventories	479,662	427,413
	Deferred income taxes	196,783	198,888
	Other current assets	83,330	98,250
	Total current assets	2,504,677	2,311,613
	Property, plant and equipment, net	713,730	630,746
	Other assets	24,104	23,020
	Total assets	$ 3,242,511	$ 2,965,379
LIABILITIES AND STOCKHOLDERS' EQUITY	Current liabilities:		
	Notes payable	$ 58,844	$ 61,748
	Current portion of long-term debt	22,492	21,064
	Accounts payable and accrued expenses	757,063	659,572
	Income taxes payable	131,174	119,347
	Total current liabilities	969,573	861,731
	Long-term debt	279,576	279,807
	Deferred income taxes and other non-current obligations	50,162	40,338
	Total liabilities	1,299,311	1,181,876
	Stockholders' equity:		
	Common stock	1,794	1,792
	Additional paid-in capital	753,048	760,057
	Retained earnings	1,171,605	999,979
	Cumulative translation adjustments	16,753	21,675
	Total stockholders' equity	1,943,200	1,783,503
	Total liabilities and stockholders' equity	$ 3,242,511	$ 2,965,379

*Amounts as of January 28, 1996 are unaudited. Amounts as of October 29, 1995 were obtained from the October 29, 1995 audited financial statements.

See accompanying notes to consolidated condensed financial statements.

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

(In thousands)	Three Months Ended Jan. 28, 1996	Three Months Ended Jan. 29, 1995
Cash flows from operating activities:		
Net income	$ 171,626	$ 65,808
Adjustments required to reconcile net income to cash provided by operations:		
Deferred taxes	258	(677)
Depreciation and amortization	29,724	15,604
Equity in net income/loss of joint venture	-	-
Changes in assets and liabilities:		
Accounts receivable	(127,742)	(92,535)
Inventories	(55,111)	(28,561)
Other current assets	14,692	180
Other assets	(1,399)	(174)
Accounts payable and accrued expenses	108,956	29,734
Income taxes payable	12,304	4,992
Other long-term liabilities	11,560	4,617
Cash provided by (used for) operations	164,868	(1,012)
Cash flows from investing activities:		
Capital expenditures, net	(117,746)	(31,664)
Proceeds from sales of short-term investments	104,962	62,721
Purchases of short-term investments	(167,200)	(13,426)
Cash provided by (used for) investing	(179,984)	17,631
Cash flows from financing activities:		
Short-term debt activity, net	(574)	14,376
Long-term debt activity, net	3,660	(1,049)
Common stock transactions, net	(7,007)	606
Cash provided by (used for) financing	(3,921)	13,933
Effect of exchange rate changes on cash	72	(303)
Increase (decrease) in cash and cash equivalents	(18,965)	30,249
Cash and cash equivalents at beginning of period	285,845	160,320
Cash and cash equivalents at end of period	$ 266,880	$ 190,569

For the three months ended January 28, 1996, cash payments for interest and income taxes were $897 and $61,351, respectively, and for the three months ended January 29, 1995, cash payments for interest and income taxes were $1,373 and $29,458, respectively.

See accompanying notes to consolidated condensed financial statements.

APPLIED MATERIALS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED JANUARY 28, 1996
(IN THOUSANDS)

1) Basis of Presentation

In the opinion of management, the unaudited consolidated interim financial statements included herein have been prepared on a consistent basis with the October 29, 1995 audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly state the information set forth therein. Certain amounts in the consolidated statement of cash flows for the quarter ended January 29, 1995 have been reclassified to conform to the current quarter's presentation.

2) Earnings Per Share

Earnings per share has been computed using the weighted average number of common shares and common equivalent shares from dilutive stock options.

3) Inventories

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

The components of inventories are as follows:

	January 28, 1996	October 29, 1995
Customer service spares	$ 157,286	$ 131,411
Systems raw materials	125,834	118,627
Work-in-process	164,903	139,537
Finished goods	31,639	37,838
	$ 479,662	$ 427,413

4) Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses are as follows:

	January 28, 1996	October 29, 1995
Accounts payable	$ 236,965	$ 244,014
Compensation and employee benefits	97,171	109,388
Installation and warranty	158,868	133,035
Other	264,059	173,135
	$ 757,063	$ 659,572

5) Stockholders' Equity

During the first quarter of fiscal 1996, the Company repurchased 200,000 shares of its common stock at an average price of $37.76 per share for a total of $7.6 million. These shares will be used in conjunction with the Stock Purchase Plan For Offshore Employees.

APPLIED MATERIALS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

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RESULTS OF OPERATIONS

The Company's net sales in the first quarter of fiscal 1996 of $1,041 million increased 106 percent from first quarter of fiscal 1995 net sales of $506 million. Record net sales resulted from increased demand for the Company's advanced wafer process technology, multi-chamber equipment and installed base support services. The increased demand for the Company's multi-chamber equipment reflects strong demand for advanced semiconductor devices and the industry's continued investment in systems capable of performing processes required for smaller device geometries, as well as the complex multi-level metal structures of the most advanced semiconductor devices. The increase in installed base support services revenue is attributable to a larger installed systems base and our global customers' requirements for high reliability and uptime specifications.

Sales increased in the first quarter of fiscal 1996 in all regions and across all of the Company's product groups when compared to sales in the first quarter of 1995. These increases reflect the continuing globalization of the semiconductor industry and our customers' needs to increase capacity to meet the demand resulting from the more pervasive use of semiconductors in consumer products. Sales to North American customers comprised 38 percent of the Company's total net sales in the first quarter of fiscal 1996, versus 42 percent for the same period in fiscal 1995. Sales in Japan decreased to 21 percent in the first quarter of fiscal 1996 from 25 percent in the first quarter of fiscal 1995; sales in Europe increased to 21 percent from 15 percent; sales in Asia-Pacific increased to 12 percent from 10 percent; and sales in Korea remained at 8 percent of the Company's total net sales.

New orders of $1,329 million were received during the first quarter of fiscal 1996, an increase of 80 percent from first quarter of 1995 new orders of $740 million. New orders in North America, Japan and Asia-Pacific were 37, 29 and 18 percent, respectively, of the Company's total new orders in the first quarter of fiscal 1996, compared to 23, 19 and 15 percent in the comparable period of fiscal 1995. New orders in Korea were 6 percent in the first quarter of 1996 compared to 32 percent for the comparable prior year period. It is anticipated that new orders in Korea for the second quarter of fiscal 1996 will increase significantly. New orders remained relatively consistent for Europe at 10 percent compared to 11 percent in the comparable period of fiscal 1995. The global semiconductor equipment market remains strong, yet each region exhibits unique investment patterns causing regional order growth rates to vary from quarter to quarter. Backlog at January 28, 1996 was $1,768 million, versus $1,509 million at October 29, 1995.

The Company's gross margin as a percentage of sales increased from 47 percent in the first quarter of fiscal 1995 to 48 percent in the first quarter of fiscal 1996. The improved margin is attributable to higher sales volumes and increased production efficiencies.

Operating expenses as a percentage of sales improved to 23 percent for the first quarter of fiscal 1996, compared to 27 percent in the first quarter of fiscal 1995. This improvement resulted primarily from the Company's accelerated revenue growth coupled with its management of the growth of operating expenses.

Significant operations of the Company are conducted in Japanese yen, British pounds sterling and other European currencies. Forward exchange contracts and options are purchased to hedge certain existing firm commitments and anticipated foreign currency denominated transactions over the next year. Gains and losses on hedge contracts are reported as a component of the related transaction. Because the impact of movements in currency exchange rates on foreign exchange contracts offsets the related impact on the underlying items being hedged, these financial instruments do not subject the company to speculative risk that would otherwise result from changes in currency exchange rates. To date, exchange gains and losses have not had a significant effect on the Company's results of operations.

The Company's effective tax rate for the first quarter of fiscal 1996 was 35 percent, consistent with fiscal 1995. Management anticipates that a 35 percent effective tax rate will continue throughout fiscal 1996.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition at January 28, 1996 remained strong. Current assets exceeded current liabilities by 2.6 times, compared to 2.7 times at October 29, 1995. During the first quarter of fiscal 1996, the Company increased cash, cash equivalents and short-term investments by $43 million. Cash provided by operations since October 29, 1995 was $165 million, resulting primarily from net income and increases in accounts payable and accrued expenses, offset by increased inventory and accounts receivable levels. The increase in accounts receivable was primarily due to increased sales volumes and increases in collection time in North America, Japan and Korea. Other uses of cash included investments in facilities and capital equipment of $118 million. Capital expenditures are expected to approximate $550 million for fiscal 1996. This amount includes funds for the continuation and/or completion of facilities expansion and investments in demonstration and test equipment, information systems and other capital equipment.

At January 28, 1996, the Company's principal sources of liquidity consisted of $813 million of cash, cash equivalents and short-term investments, $194 million of unissued notes registered under the Company's medium-term note program and $187 million of available U.S. and foreign credit facilities. The Company's liquidity is affected by many factors, some of which are based on the normal on-going operations of the business and others of which relate to the uncertainties of the industry and global economies. Although the Company's cash requirements will fluctuate based on the timing and extent of these factors, management believes that cash generated from operations, together with the liquidity provided by existing sources, will be sufficient to satisfy commitments for capital expenditures and other cash requirements for the remainder of the fiscal year.

DISCLOSURE PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

When used in this Management's Discussion and Analysis, the words "anticipate", "estimate" and similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, including those discussed in this document and in the Form 8-K filed on February 13, 1996 with the SEC, that could cause actual results to differ materially from those projected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In the first of two lawsuits filed by the Company, captioned Applied Materials Inc. v. Advanced Semiconductor Materials America, Inc., Epsilon Technology, Inc. (doing business as ASM Epitaxy) and Advanced Semiconductor Materials International N.V. (collectively "ASM") (case no. C-91-20061-RMW), Judge William Ingram of the United States District Court for the Northern District of California ruled on April 26, 1994 that ASM's Epsilon I epitaxial reactor infringed three of the Company's United States patents and issued an injunction against ASM's use and sale of the ASM Epsilon I in the United States. ASM has appealed the decision and the injunction has been stayed pending the appeal only as to ASM products offered for sale as of April 1994. The stay order requires that ASM pay a fee, as security for the Company's interest, for each Epsilon I system sold by ASM in the United States after the date of the injunction. Judge Ronald M. Whyte of the same Court ruled that proceedings to resolve the issues of damages, willful infringement and ASM's counterclaims, which had been bifurcated for separate trial, will also be stayed, pending the appeal of Judge Ingram's decision. Oral arguments regarding this appeal were completed on June 5, 1995, before the Court of Appeals for the Federal Circuit. The Company is awaiting the decision of the Court of Appeals. The trial of the Company's second patent infringement lawsuit against ASM, captioned Applied Materials Inc. v. ASM (case no. C-92-20643-RMW), was concluded before Judge Whyte in May 1995. On November 1, 1995, the Court issued its judgment holding that two of the Company's United States patents were valid and infringed by ASM's reduced pressure epitaxial reactors and stated that a permanent injunction will be entered. A hearing was held in February, 1996 to determine the scope of the injunction and whether the injunction will be stayed pending an appeal by ASM, if any. The Company is awaiting the decision of the Court.

A separate lawsuit filed by ASM against the Company involving one patent relating to the Company's single wafer epitaxial product line, captioned ASM America Inc. v. Applied Materials Inc. (case no. C-93-20853-RMW), has been scheduled for trial in July, 1996. The case is proceeding through final discovery and pretrial preparation, and is the subject of three motions by the Company for summary judgment set for hearing in February and March 1996. A separate action severed from ASM's case, captioned ASM America Inc. v. Applied Materials Inc. (case no. C-95-20169-RWM), involves one United States patent which relates to the Company's Precision 5000 product line. Trial has been scheduled for October, 1996, and discovery is proceeding. In these cases, ASM seeks injunctive relief, damages and such other relief as the Court may find appropriate.

Further, the Company has filed a Declaratory Judgment action against ASM, captioned Applied Materials, Inc. v. ASM (case no. C-95-20003-RMW), requesting that an ASM United States patent be held invalid and not infringed by the Company's single wafer epitaxial product line. Discovery is proceeding, and no trial date has been set. On July 7, 1995, ASM filed a lawsuit, captioned ASM America Inc. v. Applied Materials Inc. (case no. C95-20586-RMW), concerning alleged infringement of a United States patent by susceptors in chemical vapor deposition chambers. Discovery has commenced and no trial date has been set. ASM filed a motion for summary judgment on one of its patents in this suit and a hearing on this motion is set for April, 1996.

In September 1994, General Signal Corporation filed a lawsuit against the Company (case no. 94-461-JJF) in the United States District Court, District of Delaware. General Signal alleges that the Company infringes five of General Signal's United States patents by making, using, selling or offering for sale multi-chamber wafer fabrication equipment, including for example, the Precision 5000 series machines. General Signal seeks an injunction, multiple damages and costs, including reasonable attorneys' fees and interest, and such other relief as the court may deem appropriate. This lawsuit is currently in discovery. A trial date has been set for January 20, 1997.

In January 1995, the Company filed a lawsuit against Novellus Systems, Inc. in the United States District Court, Northern District of California (case no. C-95-0243-MMC). This lawsuit alleges that Novellus' Concept One, Concept Two, and Maxxus FTEOS systems infringe the Company's United States patent relating to the TEOS-based, plasma enhanced CVD process for silicon oxide deposition. The lawsuit seeks an injunction, multiple damages and costs, including reasonable attorneys' fees and interest, and such other relief as the court may deem appropriate. Damages and counterclaims have been bifurcated for separate trial. A jury trial has been scheduled for September 1996, before Judge Charles A. Legge. On September 15, 1995, the Company filed another lawsuit against Novellus alleging that Novellus' newly announced blanket tungsten interconnect process infringes the Company's United States patent relating to a tungsten CVD process. The Company also sought a declaration that a Novellus United States patent for a gas purge mechanism is not infringed by the Company and/or is invalid. Novellus answered by denying the allegations and counterclaimed by alleging that the Company's plasma enhanced TEOS CVD systems infringe a Novellus United States patent concerning a gas debubbler mechanism. Novellus also filed a new lawsuit as a plaintiff before the same court which contains the same claims and patents as those stated in the Company's September 15 lawsuit. Discovery is beginning, and no trial date has been set.

In the normal course of business, the Company from time to time receives and makes inquiries with regard to possible patent infringement. Management believes that it is unlikely that the outcome of these lawsuits or of the patent infringement inquiries will have a material adverse effect on the Company's financial position or results of operations.

Item 5. Other Information

The ratio of earnings to fixed charges for the three months ended January 28, 1996 and January 29, 1995 and each of the five years in the period ended October 29, 1995 is as follows:

Three Months Ended		Fiscal Year				
January 28, 1996	January 29, 1995	1995	1994	1993	1992	1991
23.33x	11.68x	21.25x	13.37x	7.61x	3.63x	3.02x

Item 6. Exhibits and Reports on Form 8-K

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

27.0 Financial Data Schedule: filed electronically

b) Report on Form 8-K was filed on December 21, 1995. The report contains the Company's press release, dated November 28, 1995, with respect to its financial results for the period ended October 29, 1995.

SIGNATURE

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

APPLIED MATERIALS, INC.

March 1, 1996

By: \s\Gerald F. Taylor

Gerald F. Taylor
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: \s\Michael K. O'Farrell

Michael K. O'Farrell
Corporate Controller
(Principal Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED JANUARY 28, 1996.

1,000

YEAR
OCT-27-1996
JAN-28-1996
266,880
545,725
935,632
3,335
479,662
2,504,677
965,040
251,309
3,242,511
969,573
302,068
0
0
1,794
1,941,406
3,242,511
1,040,580
1,040,580
543,780
543,780
111,714
0
5,168
264,040
92,414
171,626
0
0
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171,626
0.93
0.93