

ANALOG DEVICES INC
Form 10-Q
May 19, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q**

(Mark One)

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

For the quarterly period ended May 2, 2009

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 No. 1-7819

Analog Devices, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of incorporation or organization)

04-2348234

(I.R.S. Employer Identification No.)

One Technology Way, Norwood, MA

(Address of principal executive offices)

02062-9106

(Zip Code)

(781) 329-4700

(Registrant's telephone number, including area code)

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 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 NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES NO

As of May 2, 2009 there were 291,249,011 shares of Common Stock, \$0.16 2/3 par value per share, outstanding.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

ITEM 4. Controls and Procedures

PART II OTHER INFORMATION

ITEM 1A. Risk Factors

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

ITEM 4. Submission of Matters to a Vote of Security Holders

ITEM 6. Exhibits

SIGNATURES

Exhibit Index

Ex-31.1 Section 302 Certification of CEO

Ex-31.2 Section 302 Certification of CFO

Ex-32.1 Section 906 Certification of CEO

Ex-32.2 Section 906 Certification of CFO

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements**

ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(thousands, except per share amounts)

	Three Months Ended	
	May 2, 2009	May 3, 2008
Revenue	\$ 474,748	\$ 649,340
Cost of sales (1)	213,196	253,319
Gross margin	261,552	396,021
Operating expenses:		
Research and development (1)	109,448	134,653
Selling, marketing, general and administrative (1)	82,276	104,183
Special charges	11,919	
	203,643	238,836
Operating income	57,909	157,185
Nonoperating (income) expense:		
Interest income	(3,527)	(10,669)
Other, net	(797)	114
	(4,324)	(10,555)
Income from continuing operations before income taxes	62,233	167,740
Provision for income taxes	10,479	37,848
Income from continuing operations, net of tax	51,754	129,892
Discontinued operations, net of tax:		
Income from discontinued operations		3,194
Net income	\$ 51,754	\$ 133,086
Shares used to compute earnings per share basic	291,227	290,389
Shares used to compute earnings per share diluted	292,446	295,360

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Basic earnings per share from continuing operations	\$ 0.18	\$ 0.45
Basic earnings per share	\$ 0.18	\$ 0.46
Diluted earnings per share from continuing operations	\$ 0.18	\$ 0.44
Diluted earnings per share	\$ 0.18	\$ 0.45
Dividends declared and paid per share	\$ 0.20	\$ 0.18
(1) Includes stock-based compensation expense as follows:		
Cost of sales	\$ 1,812	\$ 1,906
Research and development	\$ 6,051	\$ 6,108
Selling, marketing, general and administrative	\$ 4,703	\$ 4,713
See accompanying notes.		

Table of ContentsANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(thousands, except per share amounts)

	Six Months Ended	
	May 2, 2009	May 3, 2008
Product revenue	\$ 951,317	\$ 1,263,249
Cost of sales (1)	420,763	491,425
Gross margin	530,554	771,824
Operating expenses:		
Research and development (1)	229,276	264,192
Selling, marketing, general and administrative (1)	170,122	204,534
Special charges	53,656	
	453,054	468,726
Operating income	77,500	303,098
Nonoperating (income) expense:		
Interest income	(11,323)	(23,195)
Other, net	(1,368)	287
	(12,691)	(22,908)
Income from continuing operations before income taxes and minority interest	90,191	326,006
Provision for income taxes	13,852	74,266
Income from continuing operations, net of tax	76,339	251,740
Discontinued operations:		
Income from discontinued operations, net of tax	364	5,082
Gain on sale of discontinued operations, net of tax		246,983
Income from discontinued operations, net of tax	364	252,065
Net income	\$ 76,703	\$ 503,805
Shares used to compute earnings per share basic	291,207	294,765
Shares used to compute earnings per share diluted	291,847	299,810
Basic earnings per share from continuing operations	\$ 0.26	\$ 0.85

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Basic earnings per share	\$ 0.26	\$ 1.71
Diluted earnings per share from continuing operations	\$ 0.26	\$ 0.84
Diluted earnings per share	\$ 0.26	\$ 1.68
Dividends declared and paid per share	\$ 0.40	\$ 0.36
(1) Includes stock-based compensation expense as follows:		
Cost of sales	\$ 3,392	\$ 3,859
Research and development	\$ 11,372	\$ 11,632
Selling, marketing, general and administrative	\$ 9,213	\$ 10,128
See accompanying notes.		

3

Table of Contents

ANALOG DEVICES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 (thousands)

	May 2, 2009	November 1, 2008
Assets		
Cash and cash equivalents	\$ 676,879	\$ 593,599
Short-term investments	608,599	716,087
Accounts receivable, net	228,520	315,290
Inventory (1):		
Raw materials	16,558	15,350
Work in process	208,936	200,436
Finished goods	79,340	98,843
	304,834	314,629
Deferred tax assets	82,925	102,676
Deferred compensation plan investments	1,120	942
Prepaid expenses and other current assets	39,336	40,460
Current assets of discontinued operations		5,894
Total current assets	1,942,213	2,089,577
Property, plant and equipment, at cost:		
Land and buildings	384,573	378,187
Machinery and equipment	1,514,864	1,512,984
Office equipment	62,707	63,071
Leasehold improvements	66,069	65,247
	2,028,213	2,019,489
Less accumulated depreciation and amortization	1,512,276	1,452,050
Net property, plant and equipment	515,937	567,439
Deferred compensation plan investments	7,549	31,099
Other investments	1,149	955
Goodwill	241,708	235,175
Intangible assets, net	10,095	12,300
Deferred tax assets	68,142	65,949
Other assets	26,509	26,461
Non-current assets of discontinued operations	62,037	62,037
Total other assets	417,189	433,976
	\$ 2,875,339	\$ 3,090,992

(1) Includes \$2,261
and \$2,632
related to
stock-based
compensation at
May 2, 2009
and
November 1,
2008,
respectively.
See accompanying notes.

Table of ContentsANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(thousands, except share amounts)

	May 2, 2009	November 1, 2008
Liabilities and Shareholders' Equity		
Accounts payable	\$ 85,565	\$ 130,451
Deferred income on shipments to distributors, net	124,792	175,358
Income taxes payable	10,934	52,546
Deferred compensation plan liability	1,120	942
Accrued liabilities	137,332	191,307
Current liabilities of discontinued operations	5,305	18,454
 Total current liabilities	 365,048	 569,058
 Deferred income taxes	 21,444	 14,310
Deferred compensation plan liability	7,548	31,800
Other non-current liabilities	61,048	55,561
 Total non-current liabilities	 90,040	 101,671
 Commitments and contingencies		
 Shareholders' Equity		
Preferred stock, \$1.00 par value, 471,934 shares authorized, none outstanding		
Common stock, \$0.16 2/3 par value, 1,200,000,000 shares authorized, 291,249,011 shares issued and outstanding (291,193,451 on November 1, 2008)	48,542	48,533
Capital in excess of par value		
Retained earnings	2,401,875	2,419,908
Accumulated other comprehensive loss	(30,166)	(48,178)
 Total shareholders' equity	 2,420,251	 2,420,263
	\$ 2,875,339	\$ 3,090,992

See accompanying notes.

Table of Contents

ANALOG DEVICES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (thousands)

	Six Months Ended	
	May 2, 2009	May 3, 2008
Cash flows from operating activities:		
Net income	\$ 76,703	\$ 503,805
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	72,195	71,817
Amortization of intangibles	3,548	5,038
Stock-based compensation expense	23,977	23,322
Gain on sale of business		(246,983)
Income tax payments related to gain on sale of businesses		(67,283)
Deferred income taxes	(1,934)	(2,847)
Excess tax benefit-stock options	(5)	(9,884)
Non-cash portion of special charge	13,768	
Other non-cash activity	529	154
Changes in operating assets and liabilities	(52,875)	53,824
Total adjustments	59,203	(172,842)
Net cash provided by operating activities	135,906	330,963
Cash flows from investing activities:		
Purchases of short-term available-for-sale investments	(847,583)	(924,204)
Maturities of short-term available-for-sale investments	952,240	810,916
Net (expenditures) proceeds from sales of businesses (See Note 14)	(1,340)	399,591
Additions to property, plant and equipment	(34,281)	(70,650)
(Increase) decrease in other assets	(4,269)	3,387
Net cash provided by investing activities	64,767	219,040
Cash flows from financing activities:		
Repurchase of common stock	(3,580)	(524,802)
Increase in liability from common stock repurchases		505
Net proceeds from employee stock plans	2,920	62,120
Excess tax benefit-stock options	5	9,884
Dividend payments to shareholders	(116,402)	(106,347)
Net cash used for financing activities	(117,057)	(558,640)
Effect of exchange rate changes on cash	(336)	(1,974)

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Net increase (decrease) in cash and cash equivalents	83,280	(10,611)
Cash and cash equivalents at beginning of period	593,599	424,972
Cash and cash equivalents at end of period	\$ 676,879	\$ 414,361

See accompanying notes.

Table of Contents

ANALOG DEVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MAY 2, 2009

(all tabular amounts in thousands except per share amounts and percentages)

Note 1 Basis of Presentation

In the opinion of management, the information furnished in the accompanying condensed consolidated financial statements reflects all normal recurring adjustments that are necessary to fairly state the results for these interim periods and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2008 and related notes. The results of operations for the interim period shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2009 or any future period.

The Company sold its baseband chipset business and related support operations (Baseband Chipset Business) to MediaTek Inc. and sold its CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation during the first quarter of fiscal 2008. The Company has reflected the financial results of these businesses as discontinued operations in the consolidated statements of income for all periods presented. The assets and liabilities of these businesses are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of May 2, 2009 and November 1, 2008.

The Company has a 52-53 week fiscal year that ends on the Saturday closest to the last day in October. Fiscal 2009 and fiscal 2008 are 52-week fiscal years. Certain amounts reported in previous years have been reclassified to conform to the fiscal 2009 presentation. Such reclassified amounts were immaterial.

Note 2 Revenue Recognition

Revenue from sales to customers is generally recognized when title passes, which for shipments to certain foreign countries is subsequent to product shipment. Title for these shipments ordinarily passes within a week of shipment. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve.

In all regions of the world, the Company defers revenue and the related cost of sales on shipments to distributors until the distributors resell the products to their customers. Therefore, the Company's revenue fully reflects end customer purchases and is not impacted by distributor inventory levels. Sales to distributors are made under agreements that allow distributors to receive price adjustment credits, as discussed below, and to return qualifying products for credit, as determined by the Company, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. These agreements limit such returns to a certain percentage of the value of the Company's shipments to that distributor during the prior quarter. In addition, distributors are allowed to return unsold products if the Company terminates the relationship with the distributor.

Distributors are granted price adjustment credits related to many of their sales to their customers. Price adjustment credits are granted when the distributor's standard cost (i.e., the Company's sales price to the distributor) does not provide the distributor with an appropriate margin on its sales to its customers. As distributors negotiate selling prices with their customers, the final sales price agreed to with the customer will be influenced by many factors, including the particular product being sold, the quantity ordered, the particular customer, the geographic location of the distributor, and the competitive landscape. As a result, the distributor may request and receive a price adjustment credit from the Company to allow the distributor to earn an appropriate margin on the transaction.

Distributors are also granted price adjustment credits in the event of a price decrease subsequent to the date the product was shipped and billed to the distributor. Generally, the Company will provide a credit equal to the difference between the price paid by the distributor (less any prior credits on such products) and the new price for the product multiplied by the quantity of such product in the distributor's inventory at the time of the price decrease.

Given the uncertainties associated with the levels of price adjustment credits to be granted to distributors, the sales price to the distributor is not fixed or determinable until the distributor resells the products to their customers.

Therefore, the Company defers revenue recognition from sales to distributors until the distributors have sold the products to their customers.

Table of Contents

Title to the inventory transfers to the distributor at the time of shipment or delivery to the distributor, and payment from the distributor is due in accordance with the Company's standard payment terms. These payment terms are not contingent upon the distributor's sale of the products to their customers. Upon title transfer to distributors, inventory is reduced for the cost of goods shipped, the margin (sales less cost of sales) is recorded as deferred income on shipments to distributors, net and an account receivable is recorded.

The deferred costs of sales to distributors have historically had very little risk of impairment due to the margins the Company earns on sales of its products and the relatively long life-cycle of the Company's products. Product returns from distributors that are ultimately scrapped have historically been immaterial. In addition, price protection and price adjustment credits granted to distributors historically have not exceeded the margins the Company earns on sales of its products. The Company continuously monitors the level and nature of product returns and is in frequent contact with the distributors to ensure reserves are established for all known material issues.

As of May 2, 2009 and November 1, 2008, the Company had gross deferred revenue of \$204.7 million and \$279.3 million, respectively, and gross deferred cost of sales of \$79.9 million and \$103.9 million, respectively.

Deferred income on shipments to distributors as of May 2, 2009 was lower than the amount as of November 1, 2008 by \$50.6 million, as a result of the distributor's sales to their customers in the first six months of fiscal 2009 exceeding the Company's shipments to its distributors during this same time period.

Shipping costs are charged to cost of sales as incurred.

The Company generally offers a 12-month warranty for its products. The Company's warranty policy provides for replacement of the defective product. Specific accruals are recorded for known product warranty issues. Product warranty expenses during either of the three- and six-month periods ended May 2, 2009 and May 3, 2008 were not material.

Note 3 Stock-Based Compensation

Grant-Date Fair Value The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. Information pertaining to the Company's stock option awards and the related estimated weighted-average assumptions to calculate the fair value of stock options granted during the three- and six-month periods ended May 2, 2009 and May 3, 2008 is as follows:

Stock Options	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Options granted (in thousands)	195	116	5,615	5,666
Weighted-average exercise price per share	\$19.99	\$28.17	\$19.57	\$29.87
Weighted-average grant-date fair value per share	\$ 6.17	\$ 7.21	\$ 7.43	\$ 7.90
Assumptions:				
Weighted-average expected volatility	47.8%	33.0%	59.1%	32.2%
Weighted-average expected term (in years)	5.3	5.1	5.3	5.1
Risk-free interest rate	1.7%	2.6%	1.7%	3.3%
Expected dividend yield	4.0%	2.6%	4.1%	2.4%

Expected volatility The Company is responsible for estimating volatility and has considered a number of factors, including third-party estimates, when estimating volatility. The Company currently believes that the exclusive use of implied volatility results in the best estimate of the grant-date fair value of employee stock options because it reflects the market's current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility, the Company concluded that: (1) options in the Company's common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the maturities of the traded options used to estimate volatility are at least one year.

Expected term The Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of a new option, and that generally its employees exhibit similar exercise behavior.

Table of Contents

Risk-free interest rate The yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected dividend yield Expected dividend yield is calculated by annualizing the cash dividend declared by the Company's Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant. Until such time as the Company's Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Cash dividends are not paid on options, restricted stock or restricted stock units.

Stock-Based Compensation Expense

The amount of stock-based compensation expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment*, (SFAS 123R), requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from cancellations or expirations and represents only the unvested portion of the surrendered stock-based award. Based on an analysis of its historical forfeitures, the Company has applied an annual forfeiture rate of 4.3% to all unvested stock-based awards as of May 2, 2009. The rate of 4.3% represents the portion that is expected to be forfeited each year over the vesting period. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

Stock-Based Compensation Activity

A summary of the activity under the Company's stock option plans as of May 2, 2009 and changes during the three- and six-month periods then ended is presented below:

	Options Outstanding (in thousands)	Weighted- Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Activity during the Three Months Ended May 2, 2009				
Options outstanding at January 31, 2009	74,593	\$ 35.39		
Options granted	195	\$ 19.99		
Options exercised	(140)	\$ 15.94		
Options forfeited	(182)	\$ 32.09		
Options expired	(1,634)	\$ 39.90		
Options outstanding at May 2, 2009	72,832	\$ 35.29	4.8	\$ 17,267
Options exercisable at May 2, 2009	53,977	\$ 37.22	3.6	\$ 8,399
Options vested or expected to vest at May 2, 2009 (1)	71,390	\$ 35.46	4.7	\$ 16,302

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest

at some point in the future.

Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

Activity during the Six Months Ended May 2, 2009	Options Outstanding	Weighted- Average Exercise Price Per Share
Options outstanding at November 1, 2008	70,340	\$ 36.63
Options granted	5,615	\$ 19.57
Options exercised	(183)	\$ 16.62
Options forfeited	(666)	\$ 34.14
Options expired	(2,274)	\$ 39.82
Options outstanding at May 2, 2009	72,832	\$ 35.29

During the three and six months ended May 2, 2009, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$0.6 million and \$0.7 million, respectively, and the total amount of proceeds received from exercise of these options was \$2.2 million and \$3.0 million, respectively. Proceeds from stock option exercises pursuant to employee stock plans in the Company's statement of cash flows during the six months ended May 2, 2009 of \$2.9 million, is net of the value of shares surrendered by employees to satisfy employee tax obligations upon vesting of restricted stock or restricted stock units and in connection with the exercise of stock

Table of Contents

options granted to the Company's employees under the Company's equity compensation plans. The withholding amount is based on the Company's minimum statutory withholding requirement pursuant to SFAS 123R. The total grant-date fair value of stock options that vested during the three and six months ended May 2, 2009 was approximately \$1.6 million and \$72.1 million, respectively.

During the three and six months ended May 3, 2008, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$20.9 million and \$76.5 million, respectively, and the total amount of cash received from exercise of these options was \$37.7 million and \$68.5 million, respectively. Proceeds from stock option exercises pursuant to employee stock plans in the Company's statement of cash flows during the six months ended May 3, 2008 of \$62.1 million, is net of the value of shares surrendered by employees to satisfy employee tax obligations upon vesting of restricted stock or restricted stock units and in connection with the exercise of stock options granted to the Company's employees under the Company's equity compensation plans. The total grant-date fair value of stock options that vested during the three and six months ended May 3, 2008 was approximately \$1.3 million and \$75.7 million, respectively.

A summary of the Company's restricted stock and restricted stock unit award activity as of May 2, 2009 and changes during the three- and six-month periods then ended is presented below:

	Restricted Shares and/ or Units Outstanding	Weighted- Average Grant Date Fair Value Per Share
Activity during the Three Months Ended May 2, 2009		
Non-vested shares outstanding at January 31, 2009	123	\$ 27.65
Awards and/or units granted	35	\$ 20.00
Restrictions lapsed	(12)	\$ 37.65
Non-vested shares outstanding at May 2, 2009	146	\$ 25.02
	Restricted Shares and/ or Units Outstanding (in thousands)	Weighted- Average Grant Date Fair Value Per Share
Activity during the Six Months Ended May 2, 2009		
Non-vested shares outstanding at November 1, 2008	92	\$ 31.80
Awards and/or units granted	73	\$ 19.44
Restrictions lapsed	(16)	\$ 36.39
Forfeited	(3)	\$ 36.55
Non-vested shares outstanding at May 2, 2009	146	\$ 25.02

As of May 2, 2009, there was \$130.2 million (before tax consideration) of total unrecognized compensation cost related to unvested share-based awards, including stock options, restricted stock and restricted stock units. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Table of Contents**Note 4 Comprehensive Income**

Components of comprehensive income include net income and certain transactions that have generally been reported in the consolidated statement of shareholders' equity and consist of the following:

	Three Months Ended	
	May 2, 2009	May 3, 2008
Income from continuing operations, net of tax	\$ 51,754	\$ 129,892
Foreign currency translation adjustments	5,546	(3,579)
Change in unrealized holding losses (net of taxes of \$54 and \$175, respectively) on securities classified as short-term investments	(399)	(1,149)
Change in unrealized holding gains (net of taxes of \$142 and \$1,003, respectively) on securities classified as other investments	263	1,863
Change in unrealized gains (losses) (net of taxes of \$1,459 and \$201, respectively) on derivative instruments designated as cash flow hedges	8,906	(1,325)
Pension plans		
Prior service cost		
Transition (obligation) asset	(4)	
Net actuarial (loss) gain	(225)	40
Other comprehensive income (loss)	14,087	(4,150)
Comprehensive income from continuing operations	65,841	125,742
Income from discontinued operations, net of tax		3,194
Comprehensive income	\$ 65,841	\$ 128,936

	Six Months Ended	
	May 2, 2009	May 3, 2008
Income from continuing operations, net of tax	\$ 76,339	\$ 251,740
Foreign currency translation adjustments	4,174	(7,175)
Change in unrealized holding (losses) gains (net of taxes of \$350 and \$201, respectively) on securities classified as short-term investments	(2,481)	1,094
Change in unrealized holding gains (net of taxes of \$230 and \$976, respectively) on securities classified as other investments	100	1,813

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Change in unrealized gains (losses) (net of taxes of \$2,501 and \$397, respectively) on derivative instruments designated as cash flow hedges	17,127	(2,614)
Pension plans		
Prior service cost	1	
Transition (obligation) asset	(8)	1
Net actuarial (loss) gain	(901)	281
Other comprehensive income (loss)	18,012	(6,600)
Comprehensive income from continuing operations	94,351	245,140
Income from discontinued operations, net of tax	364	252,065
Comprehensive income	\$ 94,715	\$ 497,205

Table of Contents

The components of accumulated other comprehensive income at May 2, 2009 and November 1, 2008 consisted of the following:

	May 2, 2009	November 1, 2008
Foreign currency translation adjustment	\$ (18,142)	\$ (22,316)
Unrealized gains on available-for-sale securities	65	2,446
Unrealized losses on derivative instruments	(3,136)	(20,263)
Pension plans		
Prior service cost	(4)	(5)
Transition obligation	(23)	(15)
Net actuarial loss	(8,926)	(8,025)
Total accumulated other comprehensive loss	\$ (30,166)	\$ (48,178)

Note 5 Earnings Per Share

Basic earnings per share is computed based only on the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, under Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of stock options that are in-the-money. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options. Potential future issuances of common stock related to certain of the Company's outstanding stock options were excluded because they were anti-dilutive. Those potential future issuances of common stock, determined based on the weighted-average exercise prices during the respective periods, could be dilutive in the future.

	Three Months Ended	
	May 2, 2009	May 3, 2008
Income from continuing operations, net of tax	\$ 51,754	\$ 129,892
Total income from discontinued operations, net of tax		3,194
Net income	\$ 51,754	\$ 133,086
Basic shares:		
Weighted-average shares outstanding	291,227	290,389
Earnings per share-basic:		
Income from continuing operations, net of tax	\$ 0.18	\$ 0.45
Total income from discontinued operations, net of tax	0.00	0.01
Net income (1)	\$ 0.18	\$ 0.46

Diluted shares:		
Weighted-average shares outstanding	291,227	290,389
Assumed exercise of common stock equivalents	1,219	4,971
Weighted-average common and common equivalent shares	292,446	295,360
Earnings per share-diluted:		
Income from continuing operations, net of tax	\$ 0.18	\$ 0.44
Total income from discontinued operations, net of tax	0.00	0.01
Net income (1)	\$ 0.18	\$ 0.45
Anti-dilutive common stock equivalents related to outstanding stock options	60,965	57,805

(1) The sum of the individual per share amounts may not equal the total due to rounding.

Table of Contents

	Six Months Ended	
	May 2, 2009	May 3, 2008
Income from continuing operations, net of tax	\$ 76,339	\$ 251,740
Total income from discontinued operations, net of tax	364	252,065
Net income	\$ 76,703	\$ 503,805
Basic shares:		
Weighted-average shares outstanding	291,207	294,765
Earnings per share-basic:		
Income from continuing operations, net of tax	\$ 0.26	\$ 0.85
Total income from discontinued operations, net of tax	0.00	0.86
Net income (1)	\$ 0.26	\$ 1.71
Diluted shares:		
Weighted-average shares outstanding	291,207	294,765
Assumed exercise of common stock equivalents	640	5,045
Weighted-average common and common equivalent shares	291,847	299,810
Earnings per share-diluted:		
Income from continuing operations, net of tax	\$ 0.26	\$ 0.84
Total income from discontinued operations, net of tax	0.00	0.84
Net income (1)	\$ 0.26	\$ 1.68
Anti-dilutive common stock equivalents related to outstanding stock options	65,811	57,256

(1) The sum of the individual per share amounts may not equal the total due to rounding.

Table of Contents**Note 6 Special Charges**

A summary of the Company's special charges is as follows:

Income Statement	Reorganizations and Consolidation						Total Special Charges
	Closure of Wafer Fabrication Facility in Sunnyvale	of Product Development and Support Programs	of a Wafer Fabrication Facility in Limerick	Reduction of Overhead Infrastructure Costs	Reduction of Operating Costs	Closure of Wafer Fabrication Facility in Cambridge	
Fiscal 2005							
Charges:							
Workforce reductions	\$ 20,315	\$ 11,165	\$	\$	\$	\$	\$ 31,480
Total Fiscal 2005 Charges	\$ 20,315	\$ 11,165	\$	\$	\$	\$	\$ 31,480
Fiscal 2006							
Charges:							
Facility closure costs		554					554
Abandonment of equipment		459					459
Other items		462					462
Change in estimate	(2,029)						(2,029)
Workforce reductions		2,344					2,344
Total Fiscal 2006 Charges	\$ (2,029)	\$ 3,819	\$	\$	\$	\$	\$ 1,790
Fiscal 2007							
Charges:							
Facility closure costs	10,288						10,288
Workforce reductions		4,165	13,748	10,711			28,624
Other items		859		1,637			2,496
Change in estimate		(913)					(913)
Total Fiscal 2007 Charges	\$ 10,288	\$ 4,111	\$ 13,748	\$ 12,348	\$	\$	\$ 40,495
Fiscal 2008							
Charges:							
Workforce reductions					1,627		1,627

Change in estimate			1,461				1,461
Total Fiscal 2008							
Charges	\$	\$	\$ 1,461	\$	\$ 1,627	\$	\$ 3,088
Fiscal 2009							
Charges:							
Workforce reductions					26,583	9,203	35,786
Facility closure costs			1,191		2,411		3,602
Non-cash impairment charge					839	12,929	13,768
Other items					500		500
Total Fiscal 2009							
Charges	\$	\$	\$ 1,191	\$	\$ 30,333	\$ 22,132	\$ 53,656

Table of Contents

	Reorganization of Product Development and Support Programs		Consolidation of a Wafer Fabrication Facility in Limerick		Reduction of Overhead Infrastructure Costs		Closure of Wafer Fabrication Facility in Cambridge	Total Special Charges
Accrued Restructuring	Sunnyvale	Programs	Limerick	Costs	Costs	Costs	Costs	
Balance at November 1, 2008	\$ 1,747	\$ 1,415	\$ 11,754	\$ 1,764	\$ 1,501	\$	\$	\$ 18,181
Fiscal 2009 special charges			550		19,055	22,132		41,737
Severance payments		(168)	(9,916)	(676)	(6,882)			(17,642)
Facility closure costs	(392)	(17)	(550)		(130)			(1,089)
Non-cash impairment charge					(764)	(12,929)		(13,693)
Effect of foreign currency on accrual		(1)	324	3	3			329
Balance at January 31, 2009	\$ 1,355	\$ 1,229	\$ 2,162	\$ 1,091	\$ 12,783	\$ 9,203	\$	\$ 27,823
Fiscal 2009 special charges			641		11,278			11,919
Severance payments		(126)	(881)	(376)	(6,144)			(7,527)
Facility closure costs	(414)		(45)		(445)			(904)
Non-cash impairment charge					(75)			(75)
Other items					(198)			(198)
Effect of foreign currency on accrual			(141)	51	(28)			(118)
Balance at May 2, 2009	\$ 941	\$ 1,103	\$ 1,736	\$ 766	\$ 17,171	\$ 9,203	\$	\$ 30,920

Closure of Wafer Fabrication Facility in Sunnyvale

The Company ceased production at its California wafer fabrication facility in November 2006. The Company is paying the lease obligation costs on a monthly basis over the remaining lease term, which expires in 2010. The Company completed the clean-up activity during fiscal 2007, and does not expect to incur any additional charges related to this action.

Reorganization of Product Development and Support Programs

The Company recorded special charges in fiscal years 2005, 2006 and 2007 as a result of its decision to reorganize its product development and support programs with the goal of providing greater focus on its analog and digital signal processing product programs. The Company terminated the employment of all employees associated with these programs and is paying amounts owed to employees for severance as income continuance. The Company does not expect to incur any further charges related to this reorganization action.

Consolidation of a Wafer Fabrication Facility in Limerick

During the fourth quarter of fiscal 2007, the Company recorded a special charge of \$13.7 million as a result of its decision to only use eight-inch technology at its wafer fabrication facility in Limerick. Certain manufacturing processes and products produced on the Limerick facility's six-inch production line have transitioned to the Company's existing eight-inch production line in Limerick while others have transitioned to external foundries. The charge was for severance and fringe benefit costs recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under the Company's ongoing benefit plan for 150 manufacturing employees associated with this action. As of May 2, 2009, the Company still employed 9 of the 150 employees included in this action. Most of the production in the six-inch wafer fabrication facility has ceased and the remaining production is expected to cease during the second half of fiscal 2009, at which time the employment of the remaining affected employees will be terminated. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit. During the fourth quarter of 2008, the Company recorded an additional charge of \$1.5 million related to this action, of which \$1.2 million was an adjustment to the original estimate of the severance costs and \$0.3 million was for clean-up and closure costs that were expensed as incurred. During the first quarter of fiscal 2009, the Company recorded an additional charge of \$0.6 million for clean-up and closure costs that were expensed as incurred. During the second

Table of Contents

quarter of fiscal 2009, the Company recorded an additional charge of \$0.6 million for clean-up and closure costs that were expensed as incurred. The Company does not expect to incur any further charges related to this action.

Reduction of Overhead Infrastructure Costs

During the fourth quarter of fiscal 2007, the Company recorded a special charge as a result of its decision to either deemphasize or exit certain businesses or products and focus investments in products and end markets where it has better opportunities for profitable growth. In September 2007, the Company entered into a definitive agreement to sell its Baseband Chipset Business. As a result, the Company decided to reduce the support infrastructure in manufacturing, engineering and SMG&A to more appropriately reflect its required overhead structure. The Company terminated the employment of all employees associated with these programs and is paying amounts owed to employees for severance as income continuance. The Company does not expect to incur any further charges related to this action.

Reduction of Operating Costs

During the fourth quarter of fiscal 2008, in order to further reduce its operating cost structure, the Company recorded a special charge of \$1.6 million for severance and fringe benefit costs recorded pursuant to SFAS 88 under its ongoing benefit plan or statutory requirements at foreign locations for 19 engineering and SMG&A employees. The Company terminated the employment of all employees associated with this charge and is paying amounts owed to employees for severance as income continuance.

During the first quarter of fiscal 2009, the Company recorded an additional charge of \$19.1 million related to this cost reduction action. Approximately \$2.1 million of this charge was for lease obligation costs for facilities that the Company ceased using during the first quarter of fiscal 2009; approximately \$0.8 million was for the write-off of property, plant and equipment; and approximately \$0.6 million was for contract termination costs and for clean-up and closure costs that were expensed as incurred. The remaining \$15.6 million related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 221 manufacturing employees and 149 engineering and selling, marketing, general and administrative employees. As of May 2, 2009, the Company still employed 6 of the 370 employees included in this cost reduction action. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

During the second quarter of fiscal 2009, the Company recorded an additional charge of \$11.3 million related to this cost reduction action. Approximately \$0.1 million was for the write-off of property, plant and equipment; and approximately \$0.3 million was for clean-up and closure costs that were expensed as incurred. The remaining \$10.9 million related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 24 manufacturing employees and 153 engineering and selling, marketing, general and administrative employees. As of May 2, 2009, the Company still employed 62 of the 177 employees included in this cost reduction action. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

Closure of a Wafer Fabrication Facility in Cambridge

During the first quarter of fiscal 2009, the Company recorded a special charge of \$22.1 million as a result of its decision to consolidate its Cambridge, Massachusetts wafer fabrication facility into its existing Wilmington, Massachusetts facility. In connection with the anticipated closure of this facility, the Company evaluated the recoverability of the facilities' manufacturing assets and concluded that there was an impairment of approximately \$12.9 million based on the revised period of intended use. The remaining \$9.2 million was for severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan for 175 manufacturing employees and 9 selling, marketing, general and administrative employees associated with this action. As of May 2, 2009, the Company still employed all of the employees included in this action. The Company expects production to cease in the Cambridge fabrication facility during the fourth quarter of fiscal 2009, at which time the employment of the affected employees will be terminated. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

Table of Contents**Note 7 Segment Information**

The Company operates and tracks its results in one reportable segment. The Company designs, develops, manufactures and markets a broad range of integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*.

Revenue Trends by End Market

The following table summarizes revenue by end market. The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the sold to customer information, the ship to customer information and the end customer product or application into which the Company's product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs, the Company reclassifies revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

	Three Months Ended May 2, 2009			Three Months Ended May 3, 2008	
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*
Industrial	\$ 245,329	52%	(31)%	\$ 355,908	55%
Communications	137,270	29%	(7)%	146,953	23%
Consumer	78,928	17%	(36)%	122,956	19%
Computer	13,221	3%	(44)%	23,523	4%
Total revenue	\$ 474,748	100%	(27)%	\$ 649,340	100%

* The sum of the individual percentages may not equal the total due to rounding.

	Six Months Ended May 2, 2009			Six Months Ended May 3, 2008	
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*
Industrial	\$ 502,999	53%	(27)%	\$ 688,632	55%
Communications	264,790	28%	(5)%	277,317	22%
Consumer	154,454	16%	(38)%	249,765	20%
Computer	29,074	3%	(39)%	47,535	4%
Total revenue	\$ 951,317	100%	(25)%	\$ 1,263,249	100%

* The sum of the individual percentages may not equal the

total due to
rounding.

Revenue Trends by Product Type

The following table summarizes revenue by product categories. The categorization of the Company's products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories the Company reclassifies the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

Table of Contents

	Three Months Ended May 2, 2009			Three Months Ended May 3, 2008		
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*	
Converters	\$ 229,665	48%	(23%)	\$ 297,646	46%	
Amplifiers	123,666	26%	(27%)	170,561	26%	
Other analog	54,279	11%	(34%)	81,818	13%	
Subtotal analog signal processing	407,610	86%	(26%)	550,025	85%	
Power management & reference	28,189	6%	(19%)	34,701	5%	
Total analog products	\$ 435,799	92%	(25%)	\$ 584,726	90%	
General purpose DSP	38,210	8%	(34%)	58,281	9%	
Other DSP	739	0%	(88%)	6,333	1%	
Total digital signal processing	\$ 38,949	8%	(40%)	\$ 64,614	10%	
Total revenue	\$ 474,748	100%	(27%)	\$ 649,340	100%	

* The sum of the individual percentages may not equal the total due to rounding.

	Six Months Ended May 2, 2009			Six Months Ended May 3, 2008		
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*	
Converters	\$ 455,685	48%	(21%)	\$ 578,541	46%	
Amplifiers	253,641	27%	(22%)	326,466	26%	
Other analog	105,284	11%	(35%)	162,661	13%	
Subtotal analog signal processing	814,610	86%	(24%)	1,067,668	85%	
Power management & reference	54,323	6%	(20%)	68,116	5%	
Total analog products	\$ 868,933	91%	(23%)	\$ 1,135,784	90%	
General purpose DSP	78,321	8%	(31%)	113,400	9%	
Other DSP	4,063	0%	(71%)	14,065	1%	
Total digital signal processing	\$ 82,384	9%	(35%)	\$ 127,465	10%	
Total revenue	\$ 951,317	100%	(25%)	\$ 1,263,249	100%	

* The sum of the individual percentages may not equal the total due to rounding.

Revenue Trends by Geographic Region

Revenue by geographic region, based upon customer location, for the three- and six-month periods ended May 2, 2009 and May 3, 2008 was as follows:

Region	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
United States	\$ 97,055	\$ 131,008	\$ 204,387	\$ 262,753
Rest of North and South America	20,456	24,127	39,753	45,145
Europe	120,855	174,759	248,600	331,466
Japan	71,535	128,247	144,269	252,483
China	99,345	99,431	189,057	180,726
Rest of Asia	65,502	91,768	125,251	190,676
Total revenue	\$ 474,748	\$ 649,340	\$ 951,317	\$ 1,263,249

In the three- and six-month periods ended May 2, 2009 the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, Sweden, France and Italy; and the predominant countries comprising Rest of Asia are Taiwan and Korea.

Table of Contents

In the three- and six-month periods ended May 3, 2008 the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, France, the United Kingdom and Italy; and the predominant countries comprising Rest of Asia are Taiwan and Korea.

Note 8 Fair Value

The Company adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157), at the beginning of fiscal year 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for non-financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2008, which is the Company's fiscal year 2010. The adoption of SFAS 157 did not impact the Company's consolidated financial position or results of operations. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three level hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any market activity for the asset or liability at the measurement date. As of May 2, 2009, the Company held no Level 3 assets or liabilities. The table below sets forth by level the Company's financial assets and liabilities that were accounted for at fair value as of May 2, 2009. The table does not include cash on hand and also does not include assets and liabilities that are measured at historical cost or any basis other than fair value.

	Portion of Carrying Value Measured at Fair Value May 2, 2009	Fair Value measurement at Reporting Date using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Cash Equivalents:			
Institutional money market funds	\$ 275,437	\$ 275,437	\$
Corporate obligations	380,746		380,746
Euro time deposits	534		534
Short term investments:			
Corporate obligations	608,599		608,599
Other Assets:			
Deferred compensation investments	8,669	8,669	
Other investments	1,149	1,149	
Total assets measured at fair value	\$ 1,275,134	\$ 285,255	\$ 989,879

Liabilities

Forward foreign currency exchange contracts	\$	3,671	\$	3,671
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Total liabilities measured at fair value	\$	3,671	\$	3,671
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19

Table of Contents

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash equivalents and short-term investments These investments are adjusted to fair value based on quoted market prices or are determined using a yield curve model based on current market rates.

Deferred compensation plan investments and other investments The fair value of these investments is based on quoted market prices.

Forward foreign currency exchange contracts The estimated fair value of forward foreign currency exchange contracts, which includes derivatives that are accounted for as cash flow hedges and those that are not designated as cash flow hedges, is based on the estimated amount the Company would receive to sell these agreements at the reporting date.

Note 9 Derivatives

The Company enters into forward foreign currency exchange contracts to offset certain operational and balance sheet exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Euro; other exposures include the Philippine Peso and British Pounds Sterling. These foreign currency exchange contracts are entered into to support purchases and financing transactions made in the normal course of business, and accordingly, are not speculative in nature. In accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly.

The Company records all derivative financial instruments in the consolidated financial statements in other current assets or accrued liabilities, depending on their net position, at fair value regardless of the purpose or intent for holding the derivative contract. Changes in the fair value of the derivative financial instruments are either recognized periodically in earnings or in shareholders' equity as a component of accumulated other comprehensive (loss) income (OCI) depending on whether the derivative financial instrument qualifies for hedge accounting as defined by SFAS 133. Changes in fair values of derivatives not qualifying for hedge accounting are reported in earnings as they occur.

Foreign Exchange Exposure Management The Company has international sales and purchase transactions in foreign currencies and has a policy of hedging forecasted and actual foreign currency risk with forward foreign currency exchange contracts. The Company's forward foreign currency exchange contracts are denominated primarily in Euro and other currencies including Philippine Peso and British Pounds Sterling. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. In accordance with SFAS 133, hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly. As the terms of the contract and the underlying transaction are matched at inception, forward contract effectiveness is calculated by comparing the change in fair value of the contract to the change in the forward value of the anticipated transaction, with the effective portion of the gain or loss on the derivative instrument reported as a component of OCI in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction affects earnings. Any residual change in fair value of the instruments, or ineffectiveness, is recognized immediately in other income/expense.

Additionally, the Company enters into forward foreign currency contracts that economically hedge the gains and losses generated by the remeasurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other income/expense immediately as an offset to the changes in the fair value of the asset or liability being hedged. As of May 2, 2009, the total notional amount of these undesignated hedges was \$42.8 million. The fair value of these hedging instruments in our condensed consolidated balance sheet as of May 2, 2009 was immaterial.

The market risk associated with the Company's derivative instruments results from currency exchange rate or interest rate movements that are expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to the Company's foreign exchange instruments consist of a number of major international financial institutions with high credit ratings. The Company does not believe that there

is significant risk of nonperformance by these counterparties because the Company continually monitors the credit ratings of such counterparties, and limits the financial exposure with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the

Table of Contents

Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.

The total notional amount of derivative instruments designated as hedging instruments under SFAS 133 as of May 2, 2009 was \$139 million, which is comprised of cash flow hedges denominated in Euros, British Pounds Sterling and Philippine Pesos. The fair value of these hedging instruments in our condensed consolidated balance sheet as of May 2, 2009 was as follows:

	Balance Sheet Location	Fair Value
Forward foreign currency exchange contracts	Accrued Liabilities	\$3,671

The effect of derivative instruments designated as cash flow hedges on our condensed consolidated statement of income for the three and six months ended May 2, 2009 was as follows:

	Three Months Ended May 2, 2009	Six Months Ended May 2, 2009
Gain recognized in OCI on derivative, net of tax of \$2,400 and \$4,349, respectively	\$ 14,648	\$ 30,029
Loss reclassified from OCI into income, net of tax of \$941 and \$1,848, respectively	\$ 5,742	\$ 12,902

The amounts reclassified into earnings before tax are recognized in cost of sales and operating expenses as follows: for the three month period ended May 2, 2009, \$3.0 million in cost of sales, \$2.0 million in research and development and \$1.7 million in selling, marketing, general and administrative; and for the six month period ended May 2, 2009, \$6.6 million in cost of sales, \$4.4 million in research and development and \$3.7 million in selling, marketing, general and administrative. All derivative gains included in OCI will be reclassified into earnings within the next 12 months. Ineffectiveness was immaterial for the three and six months ended May 2, 2009.

Note 10 Goodwill and Intangible Assets*Goodwill*

The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances suggest that the carrying value of goodwill may not be recoverable. Because the Company has one reporting segment under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, the Company utilizes the entity-wide approach for assessing goodwill for impairment and compares its market value to its net book value to determine if an impairment exists. No impairment of goodwill resulted from the Company's most recent evaluation of goodwill for impairment, which occurred in the fourth quarter of fiscal 2008. No impairment of goodwill resulted in any of the fiscal years presented. The Company's next annual impairment assessment will be made in the fourth quarter of fiscal 2009 unless indicators arise that would require the Company to reevaluate at an earlier date. The following table presents the changes in goodwill during the first six months of fiscal 2009:

	Six Months Ended May 2, 2009
Balance at beginning of period	\$ 235,175
Acquisition of AudioAsics (1)	3,071
Foreign currency translation adjustment	3,462
Balance at end of period	\$ 241,708

- (1) The final milestone related to this 2006 acquisition was achieved in the second quarter of fiscal 2009.

Intangible Assets

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying value to future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of

Table of Contents

the assets exceeds their fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

Intangible assets, which will continue to be amortized, consisted of the following:

	May 2, 2009		November 1, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology-based	\$ 38,354	\$ 29,556	\$ 36,516	\$ 25,731
Tradename	1,456	1,456	1,438	1,430
Customer Relationships	4,738	3,441	4,529	3,022
Other	6,555	6,555	6,534	6,534
Total	\$ 51,103	\$ 41,008	\$ 49,017	\$ 36,717

Intangible assets are amortized on a straight-line basis over their estimated useful lives or on an accelerated method of amortization that is expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 1.1 years.

Amortization expense was \$1.5 million and \$2.6 million for the three-month periods ended May 2, 2009 and May 3, 2008, respectively, and \$3.5 million and \$5.0 million for the six-month periods ended May 2, 2009 and May 3, 2008, respectively.

The Company expects amortization expense for these intangible assets to be:

Fiscal Year	Amortization Expense
Remainder of 2009	\$ 3,280
2010	\$ 4,747
2011	\$ 1,932
2012	\$ 136

Note 11 Pension Plans

The Company has various defined benefit pension and other retirement plans for certain non-U.S. employees that are consistent with local statutory requirements and practices. The Company's funding policy for its foreign defined benefit pension plans is consistent with the local requirements of each country. The plans' assets consist primarily of U.S. and non-U.S. equity securities, bonds, property and cash.

In the first quarter of fiscal 2009, the Company adopted the measurement date provision of SFAS 158, *Employers Accounting for Defined Benefit Pension and other Postretirement Plans - an amendment of FASB Statement No. 87, 88, 106 and 132(R)* (SFAS 158). This provision requires the measurement date of the plan's funded status to be the same as the Company's fiscal year end. In accordance with the adoption provisions of SFAS 158, the Company changed its measurement date from September 30, 2008 to November 1, 2008, the Company's fiscal year-end, and recorded a \$0.2 million adjustment to retained earnings in the first quarter of fiscal 2009.

Table of Contents

Net periodic pension cost of non-U.S. plans is presented in the following table:

	Three Months Ended	
	May 2, 2009	May 3, 2008
Service cost	\$ 1,530	\$ 2,469
Interest cost	2,277	2,637
Expected return on plan assets	(2,556)	(3,173)
Amortization of prior service cost	1	2
Amortization of initial net asset	(9)	(11)
Amortization of net (gain) loss	(124)	48
Net periodic pension cost	\$ 1,119	\$ 1,972

	Six Months Ended	
	May 2, 2009	May 3, 2008
Service cost	\$ 3,082	\$ 4,858
Interest cost	4,578	5,179
Expected return on plan assets	(5,139)	(6,229)
Amortization of prior service cost	2	4
Amortization of initial net asset	(19)	(22)
Amortization of net (gain) loss	(249)	99
Net periodic pension cost	\$ 2,255	\$ 3,889

Pension contributions of \$2.0 million and \$3.8 million were made by the Company during the three and six months ended May 2, 2009. The Company presently anticipates contributing an additional \$3.3 million to fund its defined benefit pension plans in fiscal year 2009 for a total of \$7.1 million.

Note 12 Revolving Credit Facility

As of May 2, 2009, the Company had \$1,285.5 million of cash and cash equivalents and short term investments, of which \$60.6 million was held in the United States. The balance of the Company's cash and cash equivalents and short term investments was held outside the United States in various foreign subsidiaries. As the Company intends to reinvest certain of its foreign earnings indefinitely, this cash is not available to meet certain of the Company's cash requirements in the United States, including for cash dividends and common stock repurchases. The Company entered into a five-year, \$165 million unsecured revolving credit facility with certain institutional lenders in May 2008 in order to satisfy potential shortfalls of cash required in the United States. To date, the Company has not borrowed under this credit facility but the Company may borrow in the future and use the proceeds for support of commercial paper issuance, stock repurchases, dividend payments, acquisitions, capital expenditures, working capital and other lawful corporate purposes. Any advances under this credit agreement will accrue interest at rates that are equal to LIBOR plus a margin that is based on the Company's leverage ratio. The terms of this facility also include financial covenants that require the Company to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio. The Company is currently compliant with these covenants. The terms of the facility also impose restrictions on the Company's ability to undertake certain transactions, to create certain liens on assets and to incur certain subsidiary indebtedness.

Note 13 Common Stock Repurchase

The Company's common stock repurchase program has been in place since August 2004. In the aggregate, the Board of Directors has authorized the Company to repurchase \$4 billion of the Company's common stock under the program. Under the program, the Company may repurchase outstanding shares of its common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of the Company's Board of Directors, the repurchase program will expire when the Company has repurchased all shares authorized under the program. As of May 2,

Table of Contents

2009, the Company had repurchased a total of approximately 114.7 million shares of its common stock for approximately \$3,908.2 million under this program and an additional \$91.8 million remains under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. The Company also from time to time repurchases shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock or restricted stock units, or the exercise of stock options. Any future common stock repurchases will be dependent upon the amount of cash available to the Company in the United States.

Note 14 Discontinued Operations

In November 2007, the Company entered into a purchase and sale agreement with certain subsidiaries of ON Semiconductor Corporation to sell the Company's CPU voltage regulation and PC thermal monitoring business which consists of core voltage regulator products for the central processing unit in computing and gaming applications and temperature sensors and fan-speed controllers for managing the temperature of the central processing unit. During the first quarter of fiscal 2008, the Company completed the sale of this business for net cash proceeds of \$138 million, which was net of other cash payments of approximately \$1.4 million. The Company made final additional cash payments of approximately \$2.2 million in the second quarter of fiscal 2008. In connection with the purchase and sale agreement, \$7.5 million was placed into escrow and was excluded from the gain calculations. The Company recorded a pre-tax gain in the first quarter of fiscal 2008 of \$78 million, or \$43 million net of tax, which was recorded as a gain on sale of discontinued operations. During the third quarter of fiscal 2008, additional proceeds were released from escrow and an additional pre-tax gain of \$6.6 million, or \$3.8 million net of tax, was recorded as a gain on sale of discontinued operations. Additionally, at the time of the sale, the Company entered into a one-year manufacturing supply agreement with a subsidiary of ON Semiconductor Corporation for an additional \$37 million. The Company has allocated the proceeds from this arrangement based on the fair value of the two elements of this transaction: 1) the sale of a business and 2) the obligation to manufacture product for a one-year period. As a result, \$85 million was recorded as a liability related to the manufacturing supply agreement, all of which has been utilized. The liability was included in current liabilities of discontinued operations on the Company's consolidated balance sheet. The Company recorded the revenue associated with this manufacturing supply agreement in discontinued operations. As a result, the Company classified inventory for this arrangement as a current asset of discontinued operations. The Company may receive additional proceeds of up to \$1 million, currently held in escrow, upon the resolution of certain contingent items, which would be recorded as additional gain from the sale of discontinued operations.

In September 2007, the Company entered into a definitive agreement to sell its Baseband Chipset Business to MediaTek Inc. The decision to sell the Baseband Chipset Business was due to the Company's decision to focus its resources in areas where its signal processing expertise can provide unique capabilities and earn superior returns. On January 11, 2008, the Company completed the sale of its Baseband Chipset Business for net cash proceeds of \$269 million. The cash proceeds received were net of a refundable withholding tax of \$62 million and other cash payments of approximately \$9 million. The Company made additional cash payments of \$7.8 million during fiscal 2008, primarily related to transaction fees and retention payments to employees that transferred to MediaTek Inc. The Company made additional cash payments of \$1.3 million during the second quarter of fiscal 2009 related to retention payments for employees that transferred to MediaTek Inc. The Company expects to make additional cash payments of approximately \$1.2 million in the third quarter of fiscal 2009 for reimbursement of intellectual property license fees incurred by MediaTek Inc. The Company recorded a pre-tax gain in fiscal 2008 of \$278 million, or \$202 million net of tax, which is recorded as a gain on sale of discontinued operations. The Company may receive additional proceeds of up to \$10 million, currently held in escrow, upon the resolution of certain contingent items, which would be recorded as additional gain from the sale of discontinued operations.

The Company received additional amounts under various transition service agreements entered into in connection with these dispositions. The transition service agreements included manufacturing, engineering support and certain human resource services and information technology systems support. At the time of the disposition the Company evaluated the nature of the transition services and concluded the services would be primarily completed within the one-year assessment period, and the Company did not have the ability to exert significant influence over the disposed businesses' operating and financial policies. Accordingly, the Company concluded that it did not have a significant continuing involvement with the disposed businesses and has presented the disposition of these businesses as

discontinued operations pursuant to SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The following amounts related to the CPU voltage regulation and PC thermal monitoring and Baseband Chipset businesses have been segregated from continuing operations and reported as discontinued operations. These amounts also include the revenue and costs of sales provided under the manufacturing supply agreement between the Company and a subsidiary of ON Semiconductor Corporation, which terminated during the first quarter of fiscal year 2009.

Table of Contents

	Three Months Ended	
	May	
	2,	May 3, 2008
	2009	2008
Total revenue	\$	\$ 21,130
Cost of sales		19,555
Operating expenses		439
Gain on sale of discontinued operations		
(Loss) income before income taxes		1,136
(Benefit from) provision for income taxes		(2,058)
Income from discontinued operations, net of tax	\$	\$ 3,194

	Six Months Ended	
	May 2,	
	2009	May 3, 2008
Total revenue	\$ 10,332	\$ 68,493
Cost of sales	10,847	52,538
Operating expenses	15	14,506
Gain on sale of discontinued operations		(356,016)
(Loss) income before income taxes	(530)	357,465
(Benefit from) provision for income taxes	(894)	105,400
Income from discontinued operations, net of tax	\$ 364	\$ 252,065

	May 2,	November 1,
	2009	2008
Inventory	\$	\$ 5,894
Total assets reclassified to current assets of discontinued operations	\$	\$ 5,894
Refundable foreign withholding tax	\$ 62,037	\$ 62,037
Total assets reclassified to non-current assets of discontinued operations	\$ 62,037	\$ 62,037
Accounts payable	\$	\$ 1,540
Income taxes payable	4,105	4,105
Accrued liabilities	1,200	12,809
Total liabilities reclassified to current liabilities of discontinued operations	\$ 5,305	\$ 18,454

Note 15 Income Taxes

The Company has provided for potential liabilities due in the various jurisdictions in which the Company operates. Judgment is required in determining the worldwide income tax expense provision. In the ordinary course of global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of cost reimbursement arrangements among related entities. Although the Company believes its estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in the historical income tax provisions and accruals. Such differences could have a material impact on the Company's income tax provision and operating results in the period in which such determination is made.

Fiscal Year 2004 and 2005 IRS Examination

During the fourth quarter of fiscal 2007, the IRS completed its field examination of the Company's fiscal years 2004 and 2005. On January 2, 2008, the IRS issued its report for fiscal 2004 and 2005, which included proposed adjustments related to these two fiscal years. The Company has recorded taxes and penalties related to certain of these proposed adjustments. There are four items with an additional potential total tax liability of \$46 million. The Company has concluded, based on discussions

Table of Contents

with its tax advisors, that these four items are not likely to result in any additional tax liability. Therefore, the Company has not recorded any additional tax liability for these items and is appealing these proposed adjustments through the normal processes for the resolution of differences between the IRS and taxpayers. The Company's initial meeting with the appellate division of the IRS is scheduled for the end of May 2009. Two of the unresolved matters are one-time issues and pertain to Section 965 of the Internal Revenue Code related to the beneficial tax treatment of dividends from foreign owned companies under The American Jobs Creation Act. The other matters pertain to the computation of research and development (R&D) tax credits and the profits earned from manufacturing activities carried on outside the United States. These latter two matters could impact taxes payable for fiscal 2004 and 2005 as well as for subsequent years.

Fiscal Year 2006 and 2007 IRS Examination

Subsequent to the end of the second quarter of fiscal 2009, the IRS completed its field examination of the Company's fiscal years 2006 and 2007. The IRS and the Company have agreed on the treatment of a number of issues that have been included in an Issue Resolutions Agreement related to the 2006 and 2007 tax returns. However, no agreement was reached on the tax treatment of a number of issues, including the same R&D credit and foreign manufacturing issues mentioned above related to fiscal 2004 and 2005, the pricing of intercompany sales (transfer pricing), and the deductibility of certain stock option compensation expenses. Subsequent to the end of the second quarter of fiscal 2009, the IRS issued its report for fiscal 2006 and fiscal 2007, which included proposed adjustments related to these two fiscal years. The Company has recorded taxes and penalties related to certain of these proposed adjustments. There are four items with an additional potential total tax liability of \$195 million. The Company concluded, based on discussions with its tax advisors, that these four items are not likely to result in any additional tax liability. Therefore, the Company has not recorded any additional tax liability for these items and is appealing these proposed adjustments through the normal processes for the resolution of differences between the IRS and taxpayers. With the exception of the proposed adjustment related to the deductibility of certain stock option expenses, the other three matters could impact taxes payable for fiscal 2006 and 2007 as well as for subsequent years.

Fiscal Year 2008 IRS Examination

The IRS has not started their examination of fiscal year 2008.

Although the Company believes its estimates of income tax payable are reasonable, no assurance can be given that the Company will prevail in the matters raised and that the outcome of one or all of these matters will not be different than that which is reflected in the historical income tax provisions and accruals. The Company believes such differences would not have a material impact on the Company's financial condition but could have a material impact on the Company's income tax provision, operating results and operating cash flows in the period in which such matters are resolved.

Note 16 New Accounting Standards*Business Combinations*

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R requires an acquiring entity in a business combination to recognize the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at their fair value on the acquisition date. It further requires that acquisition-related costs and restructuring costs be recognized separately from the acquisition. SFAS 141R is effective for fiscal years beginning after December 15, 2008, which is the Company's fiscal year 2010. The Company is currently evaluating the impact, if any, that SFAS 141R may have on the Company's financial condition and results of operations. The adoption of SFAS 141R will change the Company's accounting treatment for business combinations on a prospective basis beginning in the first quarter of fiscal year 2010.

Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160). SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008, which is the Company's fiscal year 2010. The Company is currently evaluating the impact, if any, that SFAS 160 may have on the Company's financial condition and results of operations.

Table of Contents

Note 17 Subsequent Event

On May 18, 2009, the Company's Board of Directors declared a cash dividend of \$0.20 per outstanding share of common stock. The dividend will be paid on June 17, 2009 to all shareholders of record at the close of business on May 29, 2009.

Table of Contents**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended November 1, 2008.

This Management's Discussion and Analysis of Financial Condition and Results of Operations, including in particular the section entitled "Outlook," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections regarding our future financial performance, particularly in light of the ongoing global credit and financial market crisis; our anticipated growth and trends in our businesses, our capital needs and capital expenditures; our market position and competitive changes in the marketplace for our products; our ability to innovate new products and technologies; the timing or the effectiveness of our efforts to refocus our operations and reduce our cost structure and the expected amounts of any cost savings related to those efforts; our ability to access credit or capital markets; our ability to pay dividends or repurchase stock; our expected tax rate; our third-party suppliers; intellectual property and litigation matters; potential acquisitions or divestitures; key personnel; the effect of new accounting pronouncements and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in Part II, Item 1A. Risk Factors and elsewhere in our Quarterly Report on Form 10-Q. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

During the first quarter of fiscal 2008, we sold our baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. and sold our CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation. The financial results of these businesses are presented as discontinued operations in the consolidated statements of income for all periods presented. The assets and liabilities related to these businesses are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of May 2, 2009 and November 1, 2008. Unless otherwise noted, this Management's Discussion and Analysis relates only to financial results from continuing operations.

Results of Operations

(all tabular amounts in thousands except per share amounts and percentages)

Overview

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Revenue	\$474,748	\$649,340	\$951,317	\$1,263,249
Gross margin %	55.1%	61.0%	55.8%	61.1%
Income from continuing operations, net of tax	\$ 51,754	\$129,892	\$ 76,339	\$ 251,740
Income from continuing operations, net of tax as a % of revenue	10.9%	20.0%	8.0%	19.9%
Diluted EPS from continuing operations	\$ 0.18	\$ 0.44	\$ 0.26	\$ 0.84
Diluted EPS	\$ 0.18	\$ 0.45	\$ 0.26	\$ 1.68

The year-to-year revenue changes by end market and product category are more fully outlined below under *Revenue Trends by End Market* and *Revenue Trends by Product Type*.

Table of Contents

In the second quarter of fiscal 2009, our revenue decreased 27% from the second quarter of fiscal 2008 and our diluted earnings per share from continuing operations decreased by 59%. In the first six months of fiscal 2009, our revenue decreased 25% from the first six months of fiscal 2008 and our diluted earnings per share from continuing operations decreased by 69%. Cash flow from operations in the first six months of fiscal 2009 was \$135.9 million, or 14% of revenue, and we had \$1,285.5 million of cash and short-term investments and no debt as of May 2, 2009.

The global credit crisis and deteriorating economic conditions continue to result in more cautious customer spending behavior and generally lower demand for our products. We cannot predict the severity, duration or precise impact of the economic downturn on our future financial results. Consequently, our reported results for the second quarter of fiscal 2009 may not be indicative of our future results.

Revenue Trends by End Market

The following table summarizes revenue by end market. The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the sold to customer information, the ship to customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs, we reclassify revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

	Three Months Ended May 2, 2009			Three Months Ended May 3, 2008	
	Revenue	% of Revenue *	Y/Y %	Revenue	% of Revenue*
Industrial	\$ 245,329	52%	(31)%	\$ 355,908	55%
Communications	137,270	29%	(7)%	146,953	23%
Consumer	78,928	17%	(36)%	122,956	19%
Computer	13,221	3%	(44)%	23,523	4%
Total revenue	\$ 474,748	100%	(27)%	\$ 649,340	100%

* The sum of the individual percentages may not equal the total due to rounding.

	Six Months Ended May 2, 2009			Six Months Ended May 3, 2008	
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue *
Industrial	\$ 502,999	53%	(27)%	\$ 688,632	55%
Communications	264,790	28%	(5)%	277,317	22%
Consumer	154,454	16%	(38)%	249,765	20%
Computer	29,074	3%	(39)%	47,535	4%
Total revenue	\$ 951,317	100%	(25)%	\$ 1,263,249	100%

- * The sum of the individual percentages may not equal the total due to rounding.

Industrial The year-to-year decrease in both the three- and six-month periods in industrial end market revenue was primarily the result of a broad-based decline in demand in this end market, which was most significant for products sold into the instrumentation, automotive, process controls and automatic test equipment sectors of this end market.

Communications The year-to-year decrease in the three-month period in communications end market revenue was primarily the result of a decrease in sales of analog products used in wireless handsets, networking and optical applications. The year-to-year decrease in the six-month period in communications end market revenue was primarily the result of a decrease in sales of analog products used in wireless handsets, networking and optical applications, which was partially offset by an increase in sales of products used in basestations.

Table of Contents

Consumer The year-to-year decrease in both the three- and six-month periods in consumer end market revenue was primarily the result of a decrease in demand for products used in home entertainment, video game applications, and digital cameras, consistent with the global slowdown in consumer spending.

Computer The year-to-year decrease in both the three- and six-month periods in computer end market revenue was primarily the result of a general slowdown in the PC market.

Revenue Trends by Product Type

The following table summarizes revenue by product categories. The categorization of our products into broad categories is based on the characteristics of the individual products, the specification of the products and in some cases the specific uses that certain products have within applications. The categorization of products into categories is therefore subject to judgment in some cases and can vary over time. In instances where products move between product categories, we reclassify the amounts in the product categories for all prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each product category.

	Three Months Ended May 2, 2009			Three Months Ended May 3, 2008	
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*
Converters	\$ 229,665	48%	(23%)	\$ 297,646	46%
Amplifiers	123,666	26%	(27%)	170,561	26%
Other analog	54,279	11%	(34%)	81,818	13%
Subtotal analog signal processing	407,610	86%	(26%)	550,025	85%
Power management & reference	28,189	6%	(19%)	34,701	5%
Total analog products	\$ 435,799	92%	(25%)	\$ 584,726	90%
General purpose DSP	38,210	8%	(34%)	58,281	9%
Other DSP	739	0%	(88%)	6,333	1%
Total digital signal processing	\$ 38,949	8%	(40%)	\$ 64,614	10%
Total revenue	\$ 474,748	100%	(27%)	\$ 649,340	100%

* The sum of the individual percentages may not equal the total due to rounding.

	Six Months Ended May 2, 2009			Six Months Ended May 3, 2008	
	Revenue	% of Revenue*	Y/Y %	Revenue	% of Revenue*
Converters	\$ 455,685	48%	(21%)	\$ 578,541	46%
Amplifiers	253,641	27%	(22%)	326,466	26%
Other analog	105,284	11%	(35%)	162,661	13%

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Subtotal analog signal processing	814,610	86%	(24%)	1,067,668	85%
Power management & reference	54,323	6%	(20%)	68,116	5%
Total analog products	\$ 868,933	91%	(23%)	\$ 1,135,784	90%
General purpose DSP	78,321	8%	(31%)	113,400	9%
Other DSP	4,063	0%	(71%)	14,065	1%
Total digital signal processing	\$ 82,384	9%	(35%)	\$ 127,465	10%
Total revenue	\$ 951,317	100%	(25%)	\$ 1,263,249	100%

* The sum of the individual percentages may not equal the total due to rounding.

Table of Contents

The year-to-year decrease in revenue in the three- and six-month periods ended May 2, 2009, was due to declining demand in several markets that we serve, particularly the industrial and consumer end markets, as a result of an overall decline in the worldwide economy.

Revenue Trends by Geographic Region

Revenue by geographic region, based upon customer location, for the three- and six-month periods ended May 2, 2009 and May 3, 2008 was as follows:

Region	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
United States	\$ 97,055	\$ 131,008	\$ 204,387	\$ 262,753
Rest of North and South America	20,456	24,127	39,753	45,145
Europe	120,855	174,759	248,600	331,466
Japan	71,535	128,247	144,269	252,483
China	99,345	99,431	189,057	180,726
Rest of Asia	65,502	91,768	125,251	190,676
Total revenue	\$ 474,748	\$ 649,340	\$ 951,317	\$ 1,263,249

In the three- and six-month periods ended May 2, 2009 the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, Sweden, France and Italy; and the predominant countries comprising Rest of Asia are Taiwan and Korea.

In the three- and six-month periods ended May 3, 2008 the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, France, the United Kingdom and Italy; and the predominant countries comprising Rest of Asia are Taiwan and Korea.

Sales declined in all geographic regions in the second quarter of fiscal 2009, as compared to the second quarter of fiscal 2008, with sales in Japan experiencing the largest decline. This decline in sales in Japan was principally attributable to an overall decline in the consumer end market as a result of the general drop in consumer spending attributable to the global financial market crisis. The decline in China was smaller than the decline in the other regions primarily due to the strong demand for our products used in the recent infrastructure build-out relating to the next generation of communication technology in that region.

Sales declined in all geographic regions, except China, in the first six months of fiscal 2009, as compared to the first six months of fiscal 2008. The increase in sales in China was primarily due to strong demand for our products used in the recent infrastructure build-out relating to the next generation of communication technology in that region.

Gross Margin

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Gross margin	\$261,552	\$396,021	\$530,554	\$771,824
Gross margin %	55.1%	61.0%	55.8%	61.1%

Gross margin percentage was lower by 590 basis points in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008 primarily as a result of a decrease in sales of \$174.6 million and reduced operating levels in our manufacturing facilities that created adverse utilization variances. This decrease was partially offset by a better mix of products as revenues from higher-margin industrial and communications end markets declined less than our revenues from the consumer and computer end markets.

Table of Contents

Gross margin percentage was lower by 530 basis points in the six months ended May 2, 2009 as compared to the six months ended May 3, 2008, primarily as a result of a decrease in sales of \$311.9 million and reduced operating levels in our manufacturing facilities that created adverse utilization variances. This decrease was partially offset by a better mix of products as revenues from higher-margin industrial and communications end markets declined less than our revenues from the consumer and computer end markets.

Stock-Based Compensation Expense

As of May 2, 2009, the total compensation cost related to unvested awards not yet recognized in our statement of income was approximately \$130.2 million (before tax consideration), which we will recognize over a weighted average period of 1.8 years. See Note 3 in the Notes to our Condensed Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for further information regarding our adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R).

Research and Development

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
R&D expenses	\$ 109,448	\$ 134,653	\$ 229,276	\$ 264,192
R&D expenses as a % of revenue	23.1%	20.7%	24.1%	20.9%

Research and development, or R&D, expenses decreased \$25.2 million, or 19%, in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008, and decreased \$34.9 million, or 13%, in the six months ended May 2, 2009 as compared to the six months ended May 3, 2008. These decreases were primarily the result of the actions we took to constrain or permanently reduce operating expenses as well as a result of a decrease in bonus expense, which is a variable expense linked to our overall profitability.

R&D expenses as a percentage of revenue will fluctuate from year-to-year depending on the amount of revenue and the success of new product development efforts, which we view as critical to our future growth. At any point in time we have hundreds of R&D projects underway, and we believe that none of these projects is material on an individual basis. We expect to continue the development of innovative technologies and processes for new products, and we believe that a continued commitment to R&D is essential in order to maintain product leadership with our existing products and to provide innovative new product offerings, and therefore, we expect to continue to make significant R&D investments in the future.

Selling, Marketing, General and Administrative

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
SMG&A expenses	\$ 82,276	\$ 104,183	\$ 170,122	\$ 204,534
SMG&A expenses as a % of revenue	17.3%	16.0%	17.9%	16.2%

Selling, marketing, general and administrative, or SMG&A, expenses decreased \$21.9 million, or 21%, in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008, and decreased \$34.4 million, or 17%, in the six months ended May 2, 2009 as compared to the same period of fiscal 2008. These decreases were primarily the result of lower bonus expense, which is a variable expense linked to our overall profitability, lower commission expenses, which are variable expenses linked to our sales, and as a result of our actions taken to constrain or permanently reduce operating expenses.

Table of Contents*Special Charges*

The following is a summary of the restructuring actions we have taken over the last several years.

Closure of Wafer Fabrication Facility in Sunnyvale

We ceased production at our California wafer fabrication facility in November 2006. We are paying the lease obligation costs on a monthly basis over the remaining lease term, which expires in 2010. We completed the clean-up activity during the second quarter of fiscal 2007, and we do not expect to incur any additional charges related to this action.

Reorganization of Product Development and Support Programs

We recorded special charges in fiscal years 2005, 2006 and 2007 as a result of our decision to reorganize our product development and support programs with the goal of providing greater focus on our analog and digital signal processing product programs. We terminated the employment of all employees associated with these programs and are paying amounts owed to employees for severance as income continuance. We do not expect to incur any further charges related to this reorganization action.

Consolidation of a Wafer Fabrication Facility in Limerick

During the fourth quarter of fiscal 2007, we recorded a special charge of \$13.7 million as a result of our decision to only use eight-inch technology at our wafer fabrication facility in Limerick. Certain manufacturing processes and products produced on the Limerick facility's six-inch production line have transitioned to our existing eight-inch production line in Limerick while others have transitioned to external foundries. The charge was for severance and fringe benefit costs recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under our ongoing benefit plan for 150 manufacturing employees associated with this action. As of May 2, 2009, we still employed 9 of the 150 employees included in this action. Most of the production in the six-inch wafer fabrication facility has ceased and the remaining production is expected to cease during the second half of fiscal 2009, at which time the employment of the remaining affected employees will be terminated. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. During the fourth quarter of 2008, we recorded an additional charge of \$1.5 million related to this action, of which \$1.2 million was an adjustment to our original estimate of the severance costs and \$0.3 million was for clean-up and closure costs that we expensed as incurred. During the first quarter of fiscal 2009, we recorded an additional charge of \$0.6 million for clean-up and closure costs that we expensed as incurred. During the second quarter of fiscal 2009, we recorded an additional charge of \$0.6 million for clean-up and closure costs that we expensed as incurred. We do not expect to incur any further charges related to this action. We estimate that the closure of this facility will result in annual cost savings of approximately \$25 million per year, which we expect to realize starting in the first quarter of fiscal 2010. We expect these annual savings will be in cost of sales, of which approximately \$1 million relates to non-cash depreciation savings.

Reduction of Overhead Infrastructure Costs

During the fourth quarter of fiscal 2007, we recorded a special charge as a result of our decision to either deemphasize or exit certain businesses or products and focus investments in products and end markets where we have better opportunities for profitable growth. In September 2007, we entered into a definitive agreement to sell our Baseband Chipset Business. As a result, we decided to reduce the support infrastructure in manufacturing, engineering and SMG&A to more appropriately reflect our required overhead structure. We terminated the employment of all employees associated with these programs and we are paying amounts owed to employees for severance as income continuance. We do not expect to incur any further charges related to this action. These cost reduction actions, which were substantially completed in the second quarter of fiscal 2008, resulted in savings of approximately \$15 million per year. We realized these savings as follows: approximately \$7 million in R&D expenses, approximately \$6 million in SMG&A expenses and approximately \$2 million in cost of sales.

Reduction of Operating Costs

During the fourth quarter of fiscal 2008, in order to further reduce our operating cost structure we recorded a special charge of \$1.6 million for severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 19 engineering and SMG&A employees. We have terminated

the employment of all of the employees included in this charge and we are paying amounts owed to employees for severance as income continuance.

During the first quarter of fiscal 2009, we recorded an additional charge of \$19.1 million related to this cost reduction action. Approximately \$2.1 million of this charge was for lease obligation costs for facilities that we ceased using during the first

Table of Contents

quarter of fiscal 2009; approximately \$0.8 million was for the write-off of property, plant and equipment; and approximately \$0.6 million was for contract termination, clean-up and closure costs that we expensed as incurred. The remaining \$15.6 million of this charge related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 221 manufacturing employees and 149 engineering and selling, marketing, general and administrative employees. As of May 2, 2009, we still employed 6 of the 370 employees included in this cost reduction action. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit.

During the second quarter of fiscal 2009, we recorded an additional charge of \$11.3 million related to this cost reduction action. Approximately \$0.1 million was for the write-off of property, plant and equipment; and approximately \$0.3 million was for clean-up and closure costs that we expensed as incurred. The remaining \$10.9 million of this charge related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 24 manufacturing employees and 153 engineering and selling, marketing, general and administrative employees. As of May 2, 2009, we still employed 62 of the 177 employees included in this cost reduction action. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit.

We believe this cost reduction action, which was substantially completed during the second quarter of fiscal 2009, will result in annual savings of approximately \$36.4 million once fully implemented. We expect these annual savings will be realized as follows: approximately \$31.6 million in SMG&A expenses and approximately \$4.8 million in cost of sales. A portion of these savings is reflected in our results for the first six months of fiscal 2009 and the remainder of the savings will be fully reflected in our results during the second half of fiscal 2009.

Closure of a Wafer Fabrication Facility in Cambridge

During the first quarter of fiscal 2009, we recorded a special charge of \$22.1 million as a result of our decision to consolidate our Cambridge, Massachusetts wafer fabrication facility into our existing Wilmington, Massachusetts facility. In connection with the anticipated closure of this facility, we evaluated the recoverability of the facilities manufacturing assets and concluded that there was an impairment of approximately \$12.9 million based on the revised period of intended use. The remaining \$9.2 million was for severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan for 175 manufacturing employees and 9 selling, marketing, general and administrative employees associated with this action. As of May 2, 2009, we still employed all of the employees included in this action. We expect production to cease in the Cambridge fabrication facility during the fourth quarter of fiscal 2009, at which time the employment of the affected employees will be terminated. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. We estimate that the closure of this facility will result in annual cost savings of approximately \$41 million per year, expected to be fully realized starting in the third quarter of fiscal 2010. We expect these annual savings to be realized as follows: approximately \$40.2 million in cost of sales, of which approximately \$4.0 million relates to non-cash depreciation savings, and approximately \$0.8 million in SMG&A expenses.

Operating Income from Continuing Operations

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Operating income from continuing operations	\$57,909	\$157,185	\$77,500	\$303,098
Operating income from continuing operations as a % of revenue	12.2%	24.2%	8.1%	24.0%

The \$99.3 million decrease in operating income from continuing operations in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008 was primarily the result of a decrease in revenue of \$174.6 million, a 590 basis point decrease in gross margin percentage, and a special charge of \$11.9 million in the second quarter of fiscal 2009. This decrease in operating income from continuing operations was partially offset by a decrease in R&D and SMG&A expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*.

The \$225.6 million decrease in operating income from continuing operations in the six months ended May 2, 2009 as compared to the same period of fiscal 2008 was primarily the result of a decrease in revenue of \$311.9 million, a 530 basis point decrease in gross margin percentage, and a special charge of \$53.7 million in the first six months of fiscal 2009. This

Table of Contents

decrease in operating income from continuing operations was partially offset by a decrease in R&D and SMG&A expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*.

Nonoperating (Income) Expense

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Interest income	\$ (3,527)	\$ (10,669)	\$ (11,323)	\$ (23,195)
Other (income), expense net	(797)	114	(1,368)	287
Total nonoperating income	\$ (4,324)	\$ (10,555)	\$ (12,691)	\$ (22,908)

Nonoperating income was lower by \$6.2 million in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008 primarily due to lower interest income earned on investments as a result of lower interest rates in the second quarter of fiscal 2009 as compared to the second quarter of fiscal 2008.

Nonoperating income was lower by \$10.2 million in the six months ended May 2, 2009 as compared to the same period of fiscal 2008 primarily due to lower interest income earned on investments as a result of lower interest rates in the first six months of fiscal 2009 as compared to the first six months of fiscal 2008.

Provision for Income Taxes

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Provision for income taxes	\$ 10,479	\$ 37,848	\$ 13,852	\$ 74,266
Effective income tax rate	16.8%	22.6%	15.4%	22.8%

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned. Our effective tax rate for the second quarter of fiscal 2009 was lower compared to our effective tax rate for the second quarter of fiscal 2008 primarily as a result of our recording a special charge of \$11.9 million in the second quarter of fiscal 2009, a portion of which provided a tax benefit at the higher U.S. tax rate.

Our effective tax rate for the first six months of fiscal 2009 was lower compared to our effective tax rate for the first six months of fiscal 2008 primarily as a result of our recording special charges of \$53.7 million in the first six months of fiscal 2009, a portion of which provided a tax benefit at the higher U.S. tax rate.

Income from Continuing Operations, net of tax

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Income from continuing operations, net of tax	\$ 51,754	\$ 129,892	\$ 76,339	\$ 251,740
Income from continuing operations, net of tax as a % of revenue	10.9%	20.0%	8.0%	19.9%
Diluted EPS from continuing operations	\$ 0.18	\$ 0.44	\$ 0.26	\$ 0.84

Income from continuing operations, net of tax, in the second quarter of fiscal 2009 was lower than in the second quarter of fiscal 2008 by approximately \$78.1 million primarily as a result of the \$99.3 million decrease in operating income that was partially offset by a lower provision for income taxes in the second quarter of fiscal 2009.

Income from continuing operations, net of tax, in the first six months of fiscal 2009 was lower than in the first six months of fiscal 2008 by approximately \$175.4 million primarily as a result of the \$225.6 million decrease in operating income that was partially offset by a lower provision for income taxes in the first six months of fiscal 2009.

Table of Contents*Discontinued Operations*

	Three Months Ended		Six Months Ended	
	May 2, 2009	May 3, 2008	May 2, 2009	May 3, 2008
Income from discontinued operations, net of tax	\$	\$ 3,194	\$ 364	\$ 5,082
Gain on sale of discontinued operations, net of tax				246,983
Total income from discontinued operations, net of tax	\$	\$ 3,194	\$ 364	\$ 252,065
Diluted EPS from discontinued operations	\$	\$ 0.01	\$ 0.00	\$ 0.84

We sold our Baseband Chipset Business to MediaTek Inc. and our CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation during the first quarter of fiscal 2008. Accordingly, we have presented the results of the operations of these businesses as discontinued operations within our consolidated financial statements in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Unless specifically mentioned, these statements do not give effect to the potential impact of any mergers, acquisitions, divestitures, or business combinations that may be announced or closed after the date of filing this report. These statements supersede all prior statements regarding our business outlook made by us.

Orders to ADI and our distributors recovered in the second quarter of fiscal 2009 as compared to the first quarter of fiscal 2009, as customer inventory reductions subsided. Our book-to-bill ratio for the second quarter of fiscal 2009, as measured by end customer bookings, was slightly above one for the first time since the third quarter of fiscal 2008, and our third quarter of fiscal 2009 opening backlog increased from the second quarter of fiscal 2009. In addition, order levels were stable throughout the second quarter of fiscal 2009 and have remained at these levels through the first two weeks of May 2009. Nevertheless, lead times remain short and we are still receiving a significant portion of our new orders for delivery in the current quarter, thereby limiting visibility.

We are planning for revenues in the third quarter of fiscal 2009 to be approximately flat on a sequential basis. We plan to continue to reduce inventories in the third quarter of fiscal 2009, and to keep tight control over operating expenses. As a result, we expect gross margins to be approximately 54% to 55%, depending on end market revenue mix and factory utilization, and are planning for operating expenses to remain approximately flat sequentially. In addition, we expect our tax rate to be approximately 21% for the remainder of the fiscal year. As a result, we are planning for diluted EPS from continuing operations for the third quarter of fiscal 2009 to be approximately \$0.17 to \$0.19.

Liquidity and Capital Resources

	Six Months Ended	
	May 2, 2009	May 3, 2008
Net cash provided by operations	\$ 135,906	\$ 330,963
Net cash provided by operations as a % of revenue	14.3%	26.2%

At May 2, 2009, cash, cash equivalents and short-term investments totaled \$1,285.5 million, a decrease of \$24.2 million from the fourth quarter of fiscal 2008. The primary source of funds for the first six months of fiscal 2009 was net cash generated from operating activities of \$135.9 million. The principal uses of funds for the first six months of fiscal 2009 were dividend payments of \$116.4 million and capital expenditures of \$34.3 million.

Table of Contents

	May 2, 2009	November 1, 2008
Accounts receivable	\$228,520	\$ 315,290
Days sales outstanding	44	44
Inventory	\$304,834	\$ 314,629
Days cost of sales in inventory	130	112

Accounts receivable at May 2, 2009 decreased \$86.8 million, or 28%, from the end of the fourth quarter of fiscal 2008. The decrease in receivables was primarily the result of lower revenue in the second quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008.

Inventory at May 2, 2009 decreased by \$9.8 million, or 3%, from the end of the fourth quarter of fiscal 2008. The decrease in inventory, despite a decline in sales, is primarily a result of significant reductions in external manufacturing spending and additional factory shutdowns during the first six months of fiscal 2009.

Net additions to property, plant and equipment were \$34.3 million in the first six months of fiscal 2009 and were funded with a combination of cash on hand and cash generated from operations. We expect capital expenditures to be approximately \$58 million in fiscal 2009.

On May 18, 2009, our Board of Directors declared a cash dividend of \$0.20 per outstanding share of our common stock. The dividend is payable on June 17, 2009 to shareholders of record on May 29, 2009 and is expected to be approximately \$58 million in the aggregate. We expect quarterly dividends to continue at \$0.20 per share, although they remain subject to declaration or change by our Board of Directors. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

At May 2, 2009, our principal source of liquidity was \$1,285.5 million of cash and cash equivalents and short-term investments. As of May 2, 2009, approximately \$60.6 million of our cash and cash equivalents and short-term investments were held in the United States. The balance of our cash and cash equivalents and short-term investments was held outside the United States in various foreign subsidiaries. As we intend to reinvest certain of our foreign earnings indefinitely, this cash held outside the United States is not available to meet certain of our cash requirements in the United States, including for cash dividends and common stock repurchases. As a result, we entered into a five-year \$165 million unsecured revolving credit facility in May 2008 in order to satisfy potential shortfalls of cash required in the United States. To date, we have not borrowed under this credit facility but we may borrow in the future and use the proceeds for support of commercial paper issuance, stock repurchases, dividend payments, acquisitions, capital expenditures, working capital and other lawful corporate purposes.

The volatility in the credit markets has generally diminished liquidity and capital availability in worldwide markets. We are unable to predict the likely duration and severity of the current disruptions in the credit and financial markets and adverse global economic conditions. However, we believe that our existing sources of liquidity and cash expected to be generated from future operations, together with existing and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures, research and development efforts, dividend payments (if any) and purchases of stock (if any) under our stock repurchase program in the immediate future and for at least the next twelve months.

Contractual Obligations

During the first six months of fiscal 2009, we distributed approximately \$26 million from our Deferred Compensation Plan as a result of elections made by plan participants under the provisions of our Deferred Compensation Plan. These amounts represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of our Deferred Compensation Plan. The amounts distributed during fiscal 2009 were previously reflected in the

More than 5 Years column of the contractual obligations table contained in the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended November 1, 2008 because at that time we could not reasonably estimate the timing of such withdrawals. There have not been any other material changes in the second quarter of fiscal 2009 to the amounts presented in the table summarizing our contractual obligations included in our Annual Report on Form 10-K for the

year ended November 1, 2008.

Table of Contents

New Accounting Pronouncements

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R requires an acquiring entity in a business combination to recognize the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at their fair value on the acquisition date. It further requires that acquisition-related costs and restructuring costs be recognized separately from the acquisition. SFAS 141R is effective for fiscal years beginning after December 15, 2008, which is our fiscal year 2010. We are currently evaluating the impact, if any, that SFAS 141R may have on our financial condition and results of operations. The adoption of SFAS 141R will change our accounting treatment for business combinations on a prospective basis beginning in the first quarter of fiscal year 2010.

Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160). SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008, which is our fiscal year 2010. We are currently evaluating the impact, if any, that SFAS 160 may have on our financial condition and results of operations.

Accounting for Financial Assets and Financial Liabilities

In February 2007, the FASB, issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The adoption of SFAS 159 in the first quarter of fiscal 2009 did not impact our financial condition or results of operations.

Critical Accounting Policies and Estimates

There were no material changes in the second quarter of fiscal 2009 to the information provided under the heading

Critical Accounting Policies and Estimates included in our Annual Report on Form 10-K for the year ended November 1, 2008.

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the second quarter of fiscal 2009 in the information provided under Item 7A.

Quantitative and Qualitative Disclosures about Market Risk set forth in our Annual Report on Form 10-K for the year ended November 1, 2008.

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Analog's disclosure controls and procedures as of May 2, 2009. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of May 2, 2009, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) *Changes in Internal Control over Financial Reporting.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended May 2, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. The description below includes any material changes to and supersedes the description of the risk factors affecting our business previously discussed in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended November 1, 2008 and Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended January 31, 2009.

The current crisis in global credit and financial markets could further materially and adversely affect our business and results of operations.

As widely reported, global credit and financial markets have been experiencing extreme disruptions in recent months, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. Our business has been significantly affected by these conditions, and there is no certainty that credit and financial markets and confidence in economic conditions will not deteriorate further. These economic uncertainties affect businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. Accelerating layoffs, falling housing markets and the tightening of credit by financial institutions may lead consumers and businesses to continue to postpone spending, which may cause our customers to cancel, decrease or delay their existing and future orders with us. In addition, the inability of customers to obtain credit could impair their ability to make timely payments to us. Customer insolvencies in key industries, such as the automotive industry, could also negatively impact our revenues and our ability to collect receivables. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. We are unable to predict the likely duration and severity of the current disruptions in the credit and financial markets and adverse global economic conditions, and if the current uncertain economic conditions continue or further deteriorate, we may record additional charges relating to restructuring costs or the impairment of assets and our business and results of operations could be materially and adversely affected.

Our future revenue, gross margins, operating results and net income are difficult to predict and may materially fluctuate.

Our future revenue, gross margins, operating results and net income are difficult to predict and may be materially affected by a number of factors, including:

- the effects of adverse economic conditions in the United States and international markets, including the current crisis in global credit and financial markets;

- changes in customer demand for our products and for end products that incorporate our products;

- the effectiveness of our efforts to refocus our operations, including our ability to reduce our cost structure in both the short term and over a longer duration;

- the timing of new product announcements or introductions by us, our customers or our competitors;

- competitive pricing pressures;

- fluctuations in manufacturing yields, adequate availability of wafers and other raw materials, and manufacturing, assembly and test capacity;

- any significant decline in our backlog;

- the timing, delay or cancellation of significant customer orders and our ability to manage inventory;

our ability to hire, retain and motivate adequate numbers of engineers and other qualified employees to meet the demands of our customers;

changes in geographic, product or customer mix;

Table of Contents

our ability to utilize our manufacturing facilities at efficient levels;

potential significant litigation-related costs;

the difficulties inherent in forecasting future operating expense levels, including with respect to costs associated with labor, utilities, transportation and raw materials;

the costs related to compliance with increasing worldwide environmental regulations;

changes in our effective tax rates in the United States, Ireland or worldwide; and

the effects of public health emergencies, natural disasters, security risks, terrorist activities, international conflicts and other events beyond our control.

In addition, the semiconductor market has historically been cyclical and subject to significant economic upturns and downturns. Our business is subject to rapid technological changes and there can be no assurance, depending on the mix of future business, that products stocked in our inventory will not be rendered obsolete before we ship them. As a result of these and other factors, there can be no assurance that we will not experience material fluctuations in future revenue, gross margins, operating results and net income on a quarterly or annual basis. In addition, if our revenue, gross margins, operating results and net income do not meet the expectations of securities analysts or investors, the market price of our common stock may decline.

Changes in our effective tax rate may impact our results of operations

A number of factors may increase our future effective tax rate, including: the jurisdictions in which profits are earned and taxed; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairments of goodwill in connection with acquisitions; changes in available tax credits; and changes in tax laws or the interpretation of such tax laws. Any significant increase in our future effective tax rates could adversely impact our net income for future periods.

Long-term contracts are not typical for us and reductions, cancellations or delays in orders for our products could adversely affect our operating results.

We typically do not have long-term sales contracts with our customers. In certain markets where end-user demand may be particularly volatile and difficult to predict, some customers place orders that require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even any, of the product. In other instances, we manufacture product based on forecasts of customer demands. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellations of orders, leading to a sharp reduction of sales and backlog. Further, orders or forecasts may be for products that meet the customer's unique requirements so that those cancelled or unrealized orders would, in addition, result in an inventory of unsaleable products, causing potential inventory write-offs. As a result of lengthy manufacturing cycles for certain of the products that are subject to these uncertainties, the amount of unsaleable product could be substantial. Incorrect forecasts, or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

Our future success depends upon our ability to continue to innovate, improve our products, develop and market new products, and identify and enter new markets.

Our success significantly depends on our continued ability to improve our products and develop and market innovative new products. Product development, innovation and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our

customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. In addition, our growth is dependent on our continued ability to identify and penetrate new markets where we have limited

Table of Contents

experience and competition is intense. Also, some of our customers in these markets are less established, which could subject us to increased credit risk. There can be no assurance that the markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets, that our products will achieve customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets. Furthermore, a decline in demand in one or several of our end-user markets could have a material adverse effect on the demand for our products and our results of operations.

We may not be able to compete successfully in markets within the semiconductor industry in the future.

We face intense technological and pricing competition in the semiconductor industry, and we expect this competition to increase in the future. Many other companies offer products that compete with our products. Some have greater financial, manufacturing, technical and marketing resources than we have. Some of our competitors may have more advantageous supply or development relationships with our current and potential customers or suppliers. Our competitors also include emerging companies selling specialized products in markets we serve. Competition is generally based on design and quality of products, product performance, features and functionality, and product pricing, availability and capacity, with the relative importance of these factors varying among products, markets and customers. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced performance, features and functionality, lower power requirements, greater levels of integration or lower cost. Increased competition in certain markets has resulted in and may continue to result in declining average selling prices, reduced gross margins and loss of market share in those markets. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors, or that our operating results will not be adversely affected by increased competition.

We rely on third-party subcontractors and manufacturers for some industry-standard wafers and assembly and test services, and generally cannot control their availability or conditions of supply.

We rely, and plan to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of our wafers that can be manufactured using industry-standard submicron processes. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, manufacturing yields, quality assurance and costs. Additionally, we utilize a limited number of third-party wafer fabricators, primarily Taiwan Semiconductor Manufacturing Company, or TSMC. These suppliers manufacture components in accordance with our proprietary designs and specifications. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. If these suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in additional expenses and delays in product development or shipment of product to our customers. Approximately 43% of our revenue for the first six months of fiscal 2009 and approximately 44% of our fiscal year 2008 revenue was from products fabricated at third-party wafer-fabrication facilities, primarily TSMC.

The markets for semiconductor products are cyclical, and increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products.

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. If we expand our operations and workforce too rapidly or procure excessive resources in anticipation of increased demand for our products, and that demand does not materialize at the pace at which we expect or declines, or if we overbuild in a down market, our operating results may be adversely affected as a result of increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges. These capacity expansions by us and other semiconductor manufacturers could also lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources, or locate suitable third-party suppliers, to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our current or future business could be

materially and adversely affected.

Our semiconductor products are complex and we may be subject to product warranty and indemnity claims, which could result in significant costs and damage to our reputation and adversely affect the market acceptance of our products.

Semiconductor products are highly complex and may contain defects when they are first introduced or as new versions are developed. We generally warrant our products to our customers for one year from the date title passes from us. We invest

Table of Contents

significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to warranty and indemnification provisions in our customer contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs associated with product recalls, which may adversely impact our operating results. We may also be subject to customer indemnity claims. Our customers have on occasion been sued, and may in the future be sued by third parties with respect to infringement or other product matters, and those customers may seek indemnification from us under the terms and conditions of our sales contracts with them. In certain cases, our potential indemnification liability may be significant. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities. If any of our products contains defects, or has reliability, quality or compatibility problems, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results.

We have manufacturing processes that utilize a substantial amount of technology as the fabrication of integrated circuits is a highly complex and precise process. Minute impurities, contaminants in the manufacturing environment, difficulties in the fabrication process, defects in the masks used in the wafer manufacturing process, manufacturing equipment failures, wafer breakage or other factors can cause a substantial percentage of wafers to be rejected or numerous dice on each wafer to be nonfunctional. While we have significant expertise in semiconductor manufacturing, it is possible that some processes could become unstable. This instability could result in manufacturing delays and product shortages, which could have a material adverse effect on our operating results.

We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively.

Our success depends, in part, on our ability to protect our intellectual property. We primarily rely on patent, mask work, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes. Moreover, the laws of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our proprietary technology.

There can be no assurance that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection. We may not have foreign patents or pending applications corresponding to our U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. Other companies or individuals have obtained patents covering a variety of semiconductor designs and processes, and we might be required to obtain licenses under some of these patents or be precluded from making and selling infringing products, if those patents are found to be valid. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms, or at all.

We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products or technology without our authorization. Also, former employees may seek employment with our business partners, customers or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment.

We are involved in frequent litigation, including regarding intellectual property rights, which could be costly to bring or defend and could require us to redesign products or pay significant royalties.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual obligations to indemnify our customers. From time to time, we receive claims from third parties asserting that our products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim against us and a license

is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. We could be subject to warranty or product liability claims that could lead to significant costs and expenses as we defend those claims or pay damage awards. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities. We may incur costs and expenses relating to a recall of

Table of Contents

our customers' products due to an alleged failure of components we supply. An adverse outcome in litigation could have a material adverse effect on our financial position or on our operating results or cash flows in the period in which the litigation is resolved.

If we do not retain our key personnel, our ability to execute our business strategy will be adversely affected.

Our continued success depends to a significant extent upon the recruitment, retention and effective succession of our executive officers and key management and technical personnel, particularly our experienced engineers. The competition for these employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on our business should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policy on any of our officers or employees.

To remain competitive, we may need to acquire other companies, purchase or license technology from third parties, or enter into other strategic transactions in order to introduce new products or enhance our existing products.

An element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. We may not be able to find businesses that have the technology or resources we need and, if we find such businesses, we may not be able to purchase or license the technology or resources on commercially favorable terms or at all. Acquisitions and technology licenses are difficult to identify and complete for a number of reasons, including the cost of potential transactions, competition among prospective buyers and licensees, the need for regulatory approvals, and difficulties related to integration efforts. In order to finance a potential transaction, we may need to raise additional funds by issuing securities or borrowing money. We may not be able to find financing on favorable terms, and the sale of our stock may result in the dilution of our existing shareholders or the issuance of securities with rights that are superior to the rights of our common shareholders. Our current credit facility imposes restrictions on our ability to undertake certain transactions, to create certain liens on our assets and to incur certain subsidiary indebtedness, and requires us to maintain compliance with specified financial ratios. If we breach any of the covenants under our credit facility and do not obtain a waiver from the lenders, then, subject to applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable.

Acquisitions also involve a number of risks, including:

difficulty integrating acquired technologies, operations and personnel with our existing businesses;

diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;

strain on managerial and operational resources as management tries to oversee larger operations;

the future funding requirements for acquired companies, which may be significant;

potential loss of key employees;

exposure to unforeseen liabilities of acquired companies; and

increased risk of costly and time-consuming litigation.

If we are unable to successfully address these risks, we may not realize some or all of the expected benefits of the acquisition, which may have an adverse effect on our business plans and operating results.

We rely on manufacturing capacity located in geologically unstable areas, which could affect the availability of supplies and services.

We, like many companies in the semiconductor industry, rely on internal manufacturing capacity, wafer fabrication foundries and other sub-contractors in geologically unstable locations around the world. This reliance involves risks

associated with the impact of earthquakes on us and the semiconductor industry, including temporary loss of capacity, availability and cost of key raw materials, utilities and equipment and availability of key services, including transport of our products worldwide. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third-party wafer fabrication

Table of Contents

foundries, as a result of fire, natural disaster, unavailability of utilities or otherwise, would have a material adverse effect on our results of operations and financial condition.

We are exposed to business, economic, political, legal and other risks through our significant worldwide operations.

We have significant operations and manufacturing facilities outside the United States, including in Ireland and the Philippines. During the first six months of fiscal 2009, approximately 79% of our revenue was derived from customers in international markets. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies. Potential interest rate increases, as well as high energy costs, could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products. While a majority of our cash is generated outside the United States, we require a substantial amount of cash in the United States for operating requirements, stock repurchases, cash dividends and acquisitions. If we are unable to address our U.S. cash requirements through operations, by efficient and timely repatriations of overseas cash, through borrowings under our current credit facility or from other sources of cash obtained at an acceptable cost, our business strategies and operating results could be adversely affected.

In addition to being exposed to the ongoing economic cycles in the semiconductor industry, we are also subject to the economic, political and legal risks inherent in international operations, including the risks associated with the current crisis in global credit and financial markets, ongoing uncertainties and political and economic instability in many countries around the world, as well as economic disruption from acts of terrorism and the response to them by the United States and its allies. Other business risks associated with international operations include increased managerial complexities, air transportation disruptions, expropriation, currency controls, currency exchange rate movement, additional costs related to foreign taxes, tariffs and freight rate increases, exposure to different business practices and legal standards, particularly with respect to price protection, intellectual property and environmental compliance, trade and travel restrictions, pandemics, import and export license requirements and restrictions, difficulties in staffing and managing worldwide operations, and accounts receivable collections.

We expect to continue to expand our business and operations in China. Our success in the Chinese markets may be adversely affected by China's continuously evolving laws and regulations, including those relating to taxation, import and export tariffs, currency controls, environmental regulations, and property rights. Enforcement of existing laws or agreements may be inconsistent, as there exists a high degree of fragmentation among regulatory authorities resulting in uncertainties as to which authorities have jurisdiction over particular parties or transactions. In addition, changes in the political environment, governmental policies or U.S.-China relations could result in revisions to laws or regulations or their interpretation and enforcement, increased taxation, restrictions on imports, import duties or currency revaluations, which could have an adverse effect on our business plans and operating results.

Our operating results are dependent on the performance of independent distributors.

A significant portion of our sales are through independent distributors that are not under our control. These independent distributors generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their representation of us. We generally do not require letters of credit from our distributors and are not protected against accounts receivable default or bankruptcy by these distributors. Our inability to collect open accounts receivable could adversely affect our operating results. Termination of a significant distributor, whether at our initiative or the distributor's initiative, could disrupt our current business, and if we are unable to find suitable replacements, our operating results could be adversely affected.

We are subject to increasingly strict environmental regulations, which could increase our expenses and affect our operating results.

Our industry is subject to increasingly strict environmental regulations that control and restrict the use, transportation, emission, discharge, storage and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. Public attention on environmental controls has continued to increase, and our customers routinely include stringent environmental standards in their contracts with us. Changes in environmental regulations may require us to invest in potentially costly remediation equipment or alter the way our products are made. In addition, we use hazardous and other regulated materials that subject us to risks of strict liability for damages caused by accidental releases, regardless of fault. Any failure to control such materials adequately or to comply with

regulatory restrictions or contractual obligations could increase our expenses and adversely affect our operating results.

Table of Contents

New climate change regulations could require us to change our manufacturing processes or obtain substitute materials that may cost more or be less available for our manufacturing operations. In addition, new restrictions on carbon dioxide or other greenhouse gas emissions could result in significant costs for us. Greenhouse gas legislation has been introduced in Massachusetts and the United States legislatures and we expect increased worldwide regulatory activity in the future. The cost of complying, or of failing to comply, with these and other climate change and emissions regulations could have an adverse effect on our business plans and operating results.

Our stock price may be volatile.

The market price of our common stock has been volatile in the past and may be volatile in the future, as it may be significantly affected by the following factors:

the current crisis in global credit and financial markets;

actual or anticipated fluctuations in our revenue and operating results;

changes in financial estimates by securities analysts or our failure to perform in line with those estimates or our published guidance;

changes in market valuations of other semiconductor companies;

announcements by us or our competitors of significant new products, technical innovations, acquisitions or dispositions, litigation or capital commitments;

departures of key personnel;

actual or perceived noncompliance with corporate responsibility or ethics standards by us or any of our employees, officers or directors; and

negative media publicity targeting us or our competitors.

The stock market has historically experienced volatility, especially within the semiconductor industry, that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds
Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (c)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
February 1, 2009 through February 28, 2009	82,532	\$ 20.93	82,532	\$ 93,160,091
March 1, 2009 through March 28, 2009	33,692	\$ 19.94	29,613	\$ 92,568,341
March 29, 2009 through May 2, 2009	26,532	\$ 29.09	26,532	\$ 91,796,597
Total	142,756	\$ 22.21	138,677	\$ 91,796,597

- (a) Includes 4,079 shares surrendered to us by employees to satisfy their tax obligations upon vesting of restricted stock granted to our employees under our equity compensation plans.
- (b) The average price paid per share of stock repurchased under our stock repurchase program includes the commissions paid to the brokers.
- (c) Repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. On June 6, 2007, our Board of Directors authorized the repurchase by us of an additional \$1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase

under the
program to
\$4 billion.
Under the
repurchase
program, we
may repurchase
outstanding
shares of our
common stock
from time to
time in the open

Table of Contents

market and through privately negotiated transactions. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program.

ITEM 4. Submission of Matters to a Vote of Security Holders

At our Annual Meeting of Shareholders held on March 10, 2009, the following matters were acted upon by our shareholders:

1. The election of three Class I Directors for the ensuing three years;
2. The ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2009; and
3. To act upon a shareholder proposal to de-classify our Board of Directors.

The results of the voting on each of the matters presented to shareholders at the Annual Meeting are set forth below:

	VOTES FOR	VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
1. Election of three Class I Directors:				
James A. Champy	235,356,506	7,745,008	1,371,366	N.A.
Yves-Andre Istel	238,402,967	4,706,451	1,363,462	N.A.
Neil Novich	238,746,415	4,388,998	1,337,467	N.A.
Kenton J. Sicchitano	239,255,640	3,972,553	1,244,686	N.A.
2. Ratification of Ernst & Young LLP	238,982,598	5,067,336	433,914	N.A.
3. Shareholder proposal to de-classify our Board of Directors	184,354,885	35,451,045	887,397	23,790,521

The other directors of the Company, whose terms of office as directors continued after the Annual Meeting, are John L. Doyle, Paul J. Severino, Ray Stata, Jerald G. Fishman, John C. Hodgson and F. Grant Saviers.

ITEM 6. Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Quarterly Report on Form 10-Q and such Exhibit Index is incorporated herein by reference.

Table of Contents

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.

ANALOG DEVICES, INC.

Date: May 19, 2009

By: /s/ Jerald G. Fishman
Jerald G. Fishman
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 19, 2009

By: /s/ David A. Zinsner
David A. Zinsner
Vice President, Finance and Chief Financial
Officer
(Principal Financial Officer)

48

Table of Contents

Exhibit Index

Exhibit No.	Description
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
32.1	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer).
32.2	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer).