

ANALOG DEVICES INC  
Form 10-Q  
May 17, 2011

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**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 April 30, 2011**

**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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  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 (§232.405 of this chapter) 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  Smaller reporting company   
(Do not check if a 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 April 30, 2011 there were 299,633,520 shares of common stock of the registrant, \$0.16 2/3 par value per share, outstanding.



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**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 |             |
|--|--------------------|-------------|
|  | April 30,<br>2011  | May 1, 2010 |
| Revenue  | \$ 790,780         | \$ 668,240  |
| Cost of sales (1)                                  | 256,566            | 233,725     |
| Gross margin                                       | 534,214            | 434,515     |
| Operating expenses:                                |                    |             |
| Research and development (1)                       | 130,460            | 122,780     |
| Selling, marketing, general and administrative (1) | 105,268            | 97,660      |
|  | 235,728            | 220,440     |
| Operating income                                   | 298,486            | 214,075     |
| Nonoperating (income) expense:                     |                    |             |
| Interest expense                                   | 4,078              | 2,568       |
| Interest income                                    | (2,197)            | (2,025)     |
| Other, net   | (151)              | (488)       |
|  | 1,730              | 55          |
| Income before income taxes                         | 296,756            | 214,020     |
| Provision for income taxes                         | 54,930             | 46,880      |
| Net income   | \$ 241,826         | \$ 167,140  |
| Shares used to compute earnings per share basic    | 299,923            | 297,825     |
| Shares used to compute earnings per share diluted  | 309,619            | 305,836     |
| Basic earnings per share                           | \$ 0.81            | \$ 0.56     |
| Diluted earnings per share                         | \$ 0.78            | \$ 0.55     |
| Dividends declared and paid per share              | \$ 0.22            | \$ 0.20     |

(1) Includes stock-based compensation expense as follows:

|  |          |          |
|--|----------|----------|
| Cost of sales                                  | \$ 1,900 | \$ 1,860 |
| Research and development                       | \$ 5,794 | \$ 5,968 |
| Selling, marketing, general and administrative | \$ 5,199 | \$ 5,427 |
| See accompanying notes.                        |          |          |

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(thousands, except per share amounts)

|   | Six Months Ended  |              |
|---|-------------------|--------------|
|   | April 30,<br>2011 | May 1, 2010  |
| Revenue   | \$ 1,519,284      | \$ 1,271,223 |
| Cost of sales (1)                                     | 502,897           | 468,232      |
| Gross margin  | 1,016,387         | 802,991      |
| Operating expenses:                                   |                   |              |
| Research and development (1)                          | 253,205           | 237,178      |
| Selling, marketing, general and administrative (1)    | 205,290           | 186,141      |
| Special charge  |                   | 16,483       |
|   | 458,495           | 439,802      |
| Operating income from continuing operations           | 557,892           | 363,189      |
| Nonoperating (income) expense:                        |                   |              |
| Interest expense                                      | 6,908             | 5,106        |
| Interest income                                       | (4,482)           | (4,205)      |
| Other, net  | (110)             | 1            |
|   | 2,316             | 902          |
| Income from continuing operations before income taxes | 555,576           | 362,287      |
| Provision for income taxes                            | 98,144            | 75,547       |
| Income from continuing operations, net of tax         | 457,432           | 286,740      |
| Gain on sale of discontinued operations, net of tax   | 6,500             | 859          |
| Net income  | \$ 463,932        | \$ 287,599   |
| Shares used to compute earnings per share basic       | 299,570           | 296,718      |
| Shares used to compute earnings per share diluted     | 309,234           | 305,354      |
| Basic earnings per share from continuing operations   | \$ 1.53           | \$ 0.97      |

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|   |    |      |    |      |
|---|----|------|----|------|
| Basic earnings per share                              | \$ | 1.55 | \$ | 0.97 |
| Diluted earnings per share from continuing operations | \$ | 1.48 | \$ | 0.94 |
| Diluted earnings per share                            | \$ | 1.50 | \$ | 0.94 |
| Dividends declared and paid per share                 | \$ | 0.44 | \$ | 0.40 |

(1) Includes stock-based compensation expense as follows:

|  |    |        |    |        |
|--|----|--------|----|--------|
| Cost of sales                                  | \$ | 3,648  | \$ | 3,531  |
| Research and development                       | \$ | 11,379 | \$ | 11,327 |
| Selling, marketing, general and administrative | \$ | 10,469 | \$ | 10,232 |
| See accompanying notes.                        |    |        |    |        |



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

|  | April 30,<br>2011 | October 30,<br>2010 |
|--|-------------------|---------------------|
| Assets   |                   |                     |
| Cash and cash equivalents                      | \$ 1,894,761      | \$ 1,070,000        |
| Short-term investments                         | 1,536,604         | 1,617,768           |
| Accounts receivable, net                       | 414,579           | 387,169             |
| Inventory (1):                                 |                   |                     |
| Raw materials                                  | 27,241            | 22,008              |
| Work in process                                | 170,257           | 171,390             |
| Finished goods                                 | 96,282            | 84,080              |
|  | 293,780           | 277,478             |
| Deferred tax assets                            | 78,882            | 74,710              |
| Prepaid income tax                             | 13,171            |                     |
| Prepaid expenses and other current assets      | 60,961            | 51,874              |
| Total current assets                           | 4,292,738         | 3,478,999           |
| Property, plant and equipment, at cost:        |                   |                     |
| Land and buildings                             | 410,298           | 401,277             |
| Machinery and equipment                        | 1,588,365         | 1,578,493           |
| Office equipment                               | 53,191            | 56,449              |
| Leasehold improvements                         | 48,616            | 65,326              |
|  | 2,100,470         | 2,101,545           |
| Less accumulated depreciation and amortization | 1,626,808         | 1,628,880           |
| Net property, plant and equipment              | 473,662           | 472,665             |
| Deferred compensation plan investments         | 25,914            | 8,690               |
| Other investments                              | 3,561             | 1,317               |
| Goodwill                                       | 260,639           | 255,580             |
| Intangible assets, net                         | 644               | 1,343               |
| Deferred tax assets                            | 46,926            | 52,765              |
| Other assets                                   | 56,315            | 57,472              |
| Total other assets                             | 393,999           | 377,167             |
|  | \$ 5,160,399      | \$ 4,328,831        |

(1) Includes \$2,432 and \$2,534 related to stock-based compensation at April 30, 2011 and October 30, 2010, respectively.

See accompanying notes.

**Table of Contents**ANALOG DEVICES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(thousands, except share amounts)

|  | April 30,<br>2011 | October 30,<br>2010 |
|--|-------------------|---------------------|
| Liabilities and Shareholders' Equity   |                   |                     |
| Accounts payable   | \$ 121,451        | \$ 133,111          |
| Deferred income on shipments to distributors, net  | 269,530           | 242,848             |
| Income taxes payable   | 1,999             | 60,421              |
| Current portion of long-term debt  | 14,500            |                     |
| Accrued liabilities  | 180,678           | 207,087             |
| Total current liabilities  | 588,158           | 643,467             |
| Long-term debt   | 892,432           | 400,635             |
| Deferred income taxes  | 1,531             | 1,800               |
| Deferred compensation plan liability   | 25,930            | 8,690               |
| Other non-current liabilities  | 70,350            | 74,522              |
| Total non-current liabilities  | 990,243           | 485,647             |
| 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, 299,633,520 shares issued and outstanding (298,652,994 on October 30, 2010) | 49,940            | 49,777              |
| Capital in excess of par value   | 330,078           | 286,969             |
| Retained earnings  | 3,228,689         | 2,896,566           |
| Accumulated other comprehensive loss   | (26,709)          | (33,595)            |
| Total shareholders' equity   | 3,581,998         | 3,199,717           |
|  | \$ 5,160,399      | \$ 4,328,831        |

See accompanying notes.

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

|   | Six Months Ended  |             |
|---|-------------------|-------------|
|   | April 30,<br>2011 | May 1, 2010 |
| Cash flows from operating activities:                                   |                   |             |
| Net income  | \$ 463,932        | \$ 287,599  |
| Adjustments to reconcile net income to net cash provided by operations: |                   |             |
| Depreciation  | 58,959            | 58,194      |
| Amortization of intangibles   | 732               | 3,580       |
| Stock-based compensation expense  | 25,496            | 25,090      |
| Gain on sale of business  | (6,500)           | (859)       |
| Excess tax benefit-stock options  | (36,014)          | (125)       |
| Deferred income taxes   | (11,639)          | (8,478)     |
| Non-cash portion of special charge                                      |                   | 487         |
| Other non-cash activity   | 700               | 349         |
| Changes in operating assets and liabilities                             | (82,277)          | 126,256     |
| Total adjustments   | (50,543)          | 204,494     |
| Net cash provided by operating activities                               | 413,389           | 492,093     |
| Cash flows from investing activities:                                   |                   |             |
| Purchases of short-term available-for-sale investments                  | (1,658,766)       | (1,673,243) |
| Maturities of short-term available-for-sale investments                 | 1,480,687         | 1,386,041   |
| Sales of short-term available-for-sale investments                      | 259,385           | 84,941      |
| Proceeds related to sale of businesses                                  | 10,000            | 63,036      |
| Additions to property, plant and equipment                              | (59,688)          | (34,669)    |
| (Increase) decrease in other assets                                     | (7,519)           | 841         |
| Net cash provided by (used for) investing activities                    | 24,099            | (173,053)   |
| Cash flows from financing activities:                                   |                   |             |
| Proceeds from long-term debt  | 515,507           |             |
| Term loan repayments  | (3,625)           |             |
| Dividend payments to shareholders                                       | (131,809)         | (118,426)   |
| Repurchase of common stock  | (181,157)         |             |
| Net proceeds from employee stock plans                                  | 148,079           | 169,153     |
| Increase in other financing activities                                  | 2,775             |             |
| Excess tax benefit-stock options  | 36,014            | 125         |
| Net cash provided by financing activities                               | 385,784           | 50,852      |

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|  |              |              |
|--|--------------|--------------|
| Effect of exchange rate changes on cash          | 1,489        | (1,249)      |
| Net increase in cash and cash equivalents        | 824,761      | 368,643      |
| Cash and cash equivalents at beginning of period | 1,070,000    | 639,729      |
| Cash and cash equivalents at end of period       | \$ 1,894,761 | \$ 1,008,372 |

See accompanying notes.

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ANALOG DEVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2011

(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 October 30, 2010 and related notes. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending October 29, 2011 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.

Certain amounts reported in previous years have been reclassified to conform to the fiscal 2011 presentation. Such reclassified amounts were immaterial. The Company has a 52-53 week fiscal year that ends on the Saturday closest to the last day in October. Fiscal 2011 and fiscal 2010 are 52-week fiscal years.

**Note 2 Revenue Recognition**

Revenue from product 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.

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 distributors' sale of the products to their customers. Upon title transfer to distributors, inventory is

reduced for the cost of

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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 continuous contact with the distributors to ensure reserves are established for all known material issues.

As of April 30, 2011 and October 30, 2010, the Company had gross deferred revenue of \$357.1 million and \$327.2 million, respectively, and gross deferred cost of sales of \$87.6 million and \$84.4 million, respectively. Deferred income on shipments to distributors increased by approximately \$26.7 million in the first six months of fiscal 2011 primarily as a result of the Company's shipments to its distributors in the first six months of fiscal 2011 exceeding the distributors' sales to their customers 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 April 30, 2011 and May 1, 2010 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 stock option awards. The grant-date fair value of restricted stock units represents the fair value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting. Information pertaining to the Company's stock option awards and the related estimated weighted-average assumptions used to calculate the fair value of stock options granted during the three- and six-month periods ended April 30, 2011 and May 1, 2010 are as follows:

|  | Three Months Ended |                | Six Months Ended  |                |
|--|--------------------|----------------|-------------------|----------------|
|  | April 30,<br>2011  | May 1,<br>2010 | April 30,<br>2011 | May 1,<br>2010 |
| <b>Stock Options</b>                             |                    |                |                   |                |
| Options granted (in thousands)                   | 87                 | 26             | 1,960             | 1,838          |
| Weighted-average exercise price per share        | \$39.27            | \$29.73        | \$37.60           | \$31.53        |
| Weighted-average grant-date fair value per share | \$ 8.39            | \$ 6.62        | \$ 8.63           | \$ 7.78        |
| Assumptions:                                     |                    |                |                   |                |
| Weighted-average expected volatility             | 26.8%              | 29.1%          | 29.3%             | 31.4%          |
| Weighted-average expected term (in years)        | 5.3                | 5.3            | 5.3               | 5.3            |
| Weighted-average risk-free interest rate         | 2.2%               | 2.4%           | 2.1%              | 2.6%           |
| Weighted-average expected dividend yield         | 2.2%               | 2.7%           | 2.3%              | 2.5%           |

*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 remaining 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.

*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.

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*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 awards that are ultimately expected to vest. Forfeitures are 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 April 30, 2011. 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 options that vest.

*Stock-Based Compensation Activity*

A summary of the activity under the Company's stock option plans as of April 30, 2011 and changes during the three- and six-month periods then ended is presented below:

|   | <b>Options<br/>Outstanding<br/>(in<br/>thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price Per<br/>Share</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term in<br/>Years</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|---|---|---|--|--|
| <b>Activity during the Three Months Ended April 30, 2011</b>    |   |   |  |  |
| <b>Options outstanding at January 29, 2011</b>                  | 38,874  | \$ 29.96  |  |  |
| Options granted   | 87  | \$ 39.27  |  |  |
| Options exercised   | (1,723)   | \$ 26.82  |  |  |
| Options forfeited   | (200)   | \$ 27.68  |  |  |
| Options expired   | (15)  | \$ 39.92  |  |  |
| <b>Options outstanding at April 30, 2011</b>                    | 37,023  | \$ 30.13  | 4.8  | \$386,811                                |
| <b>Options exercisable at April 30, 2011</b>                    | 20,447  | \$ 31.69  | 3.8  | \$186,302                                |
| <b>Options vested or expected to vest at April 30, 2011 (1)</b> | 36,099  | \$ 30.17  | 4.7  | \$376,153                                |

(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.

|  | <b>Options<br/>Outstanding<br/>(in<br/>thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price Per<br/>Share</b> |
|--|---|---|
| <b>Activity during the Six Months Ended April 30, 2011</b> |   |   |

|  |         |          |
|--|---------|----------|
| <b>Options outstanding at October 30, 2010</b> | 43,079  | \$ 29.87 |
| Options granted                                | 1,960   | \$ 37.60 |
| Options exercised                              | (5,743) | \$ 25.81 |
| Options forfeited                              | (262)   | \$ 27.57 |
| Options expired                                | (2,011) | \$ 44.43 |
| <b>Options outstanding at April 30, 2011</b>   | 37,023  | \$ 30.13 |

During the three and six months ended April 30, 2011, 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 \$23.0 million and \$69.7 million, respectively, and the total amount of proceeds received by the Company from exercise of these options was \$46.2 million and \$148.2 million, respectively. Proceeds from stock option exercises pursuant to employee stock plans in the Company's statement of cash flows during six months ended April 30, 2011 of \$148.1 million are net of the value of shares surrendered by employees in certain limited circumstances to satisfy the exercise price of options, and to satisfy employee tax obligations upon vesting of 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 withholding amount is based on the Company's minimum

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statutory withholding requirement. The total grant-date fair value of stock options that vested during the three and six months ended April 30, 2011, was approximately \$1.1 million and \$26.4 million, respectively.

During the three and six months ended May 1, 2010, 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 \$2.5 million and \$15.7 million, respectively, and the total amount of proceeds received from exercise of these options was \$5.7 million and \$193.3 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 1, 2010 of \$169.2 million are net of the value of shares surrendered by employees in certain limited circumstances to satisfy the exercise price of options, and to satisfy employee tax obligations upon vesting of 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 withholding amount is based on the Company's minimum statutory withholding requirement. The total grant-date fair value of stock options that vested during the three and six months ended May 1, 2010 was approximately \$0.6 million and \$32.0 million, respectively.

A summary of the Company's restricted stock unit award activity as of April 30, 2011 and changes during the three- and six- month periods then ended is presented below:

|   | <b>Restricted<br/>Stock Units<br/>Outstanding<br/>(in<br/>thousands)</b> | <b>Weighted-<br/>Average<br/>Grant<br/>Date Fair<br/>Value<br/>Per Share</b> |
|---|--|--|
| <b>Activity during the Three Months Ended April 30, 2011</b>  |  |  |
| <b>Restricted stock units outstanding at January 29, 2011</b> | 2,099  | \$ 30.91   |
| Units granted   | 20   | \$ 38.07   |
| Restrictions lapsed   | (12)   | \$ 21.48   |
| Forfeited   | (16)   | \$ 31.43   |
| <b>Restricted stock units outstanding at April 30, 2011</b>   | 2,091  | \$ 31.03   |
| <b>Activity during the Six Months Ended April 30, 2011</b>    |  |  |
| <b>Restricted stock units outstanding at October 30, 2010</b> | 1,265  | \$ 28.21   |
| Units granted   | 870  | \$ 35.00   |
| Restrictions lapsed   | (23)   | \$ 25.61   |
| Forfeited   | (21)   | \$ 31.51   |
| <b>Restricted stock units outstanding at April 30, 2011</b>   | 2,091  | \$ 31.03   |

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As of April 30, 2011, there was \$115.3 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 1.5 years.

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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:

|  | <b>Three Months Ended</b> |                    |
|--|---------------------------|--------------------|
|  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| Net income   | \$ 241,826                | \$ 167,140         |
| Foreign currency translation adjustments   | 6,180                     | 1,549              |
| Change in unrealized holding losses (net of taxes of \$5 and \$21, respectively) on securities classified as short-term investments          | (38)                      | (158)              |
| Change in unrealized holding gains (net of taxes of \$23 and \$63, respectively) on securities classified as other investments               | 43                        | 117                |
| Change in unrealized gains (losses) (net of taxes of \$850 and \$309, respectively) on derivative instruments designated as cash flow hedges | 5,666                     | (1,761)            |
| Pension plans  |                           |                    |
| Prior service cost   |                           |                    |
| Transition obligation  | (3)                       | (1)                |
| Net actuarial (loss) gain  | (3,060)                   | 339                |
| Other comprehensive gain   | 8,788                     | 85                 |
| Comprehensive income   | \$ 250,614                | \$ 167,225         |

|  | <b>Six Months Ended</b>   |                    |
|--|---------------------------|--------------------|
|  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| Income from continuing operations, net of tax  | \$ 457,432                | \$ 286,740         |
| Foreign currency translation adjustments   | 6,159                     | 3,681              |
| Change in unrealized holding gains (losses) (net of taxes of \$18 and \$16, respectively) on securities classified as short-term investments   | 124                       | (122)              |
| Change in unrealized holding gains (net of taxes of \$63 and \$54, respectively) on securities classified as other investments                 | 117                       | 100                |
| Change in unrealized gains (losses) (net of taxes of \$449 and \$1,365, respectively) on derivative instruments designated as cash flow hedges | 2,643                     | (8,766)            |
| Pension plans  |                           |                    |

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|   |            |            |
|---|------------|------------|
| Prior service cost                                  |            | (1)        |
| Transition (obligation) asset                       | (2)        | 1          |
| Net actuarial (loss) gain                           | (2,155)    | 639        |
| Other comprehensive gain (loss)                     | 6,886      | (4,468)    |
| Comprehensive income from continuing operations     | 464,318    | 282,272    |
| Gain on sale of discontinued operations, net of tax | 6,500      | 859        |
| Comprehensive income                                | \$ 470,818 | \$ 283,131 |

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The components of accumulated other comprehensive loss at April 30, 2011 and October 30, 2010 consisted of the following:

|  | <b>April 30,<br/>2011</b> | <b>October 30,<br/>2010</b> |
|--|---------------------------|-----------------------------|
| Foreign currency translation adjustment            | \$ 4,768                  | \$ (1,391)                  |
| Unrealized gains on available-for-sale securities  | 934                       | 822                         |
| Unrealized losses on available-for-sale securities | (62)                      | (191)                       |
| Unrealized gains on derivative instruments         | 8,776                     | 6,133                       |
| Pension plans                                      |                           |                             |
| Transition obligation                              | (131)                     | (129)                       |
| Net actuarial loss                                 | (40,994)                  | (38,839)                    |
| <b>Total accumulated other comprehensive loss</b>  | <b>\$ (26,709)</b>        | <b>\$ (33,595)</b>          |

The aggregate fair value of investments with unrealized losses as of April 30, 2011 and October 30, 2010 was \$605.0 million and \$731.0 million, respectively. These unrealized losses are primarily related to commercial paper that earns lower interest rates than current market rates. None of these investments have been in a loss position for more than twelve months.

Unrealized gains and losses on available-for-sale securities classified as short-term investments at April 30, 2011 and October 30, 2010 are as follows:

|   | <b>April 30,<br/>2011</b> | <b>October 30,<br/>2010</b> |
|---|---------------------------|-----------------------------|
| Unrealized gains on available-for-sale securities classified as short-term investments  | \$ 162                    | \$ 165                      |
| Unrealized losses on available-for-sale securities classified as short-term investments | (72)                      | (217)                       |
| <b>Net unrealized gains (losses) on securities classified as short-term investments</b> | <b>\$ 90</b>              | <b>\$ (52)</b>              |

**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, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of stock options that are in-the-money and restricted stock units. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options. Potential shares related to certain of the Company's outstanding stock options were excluded because they were anti-dilutive. Those potential shares, determined based on the weighted average exercise prices during the respective years, related to the Company's outstanding stock options could be dilutive in the future.

**Three Months Ended**  
**April 30,**  
**2011**                      **May 1, 2010**



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|   |            |            |
|---|------------|------------|
| Basic:  |            |            |
| Net income  | \$ 241,826 | \$ 167,140 |
| Weighted-average shares outstanding   | 299,923    | 297,825    |
| Earnings per share:   | \$ 0.81    | \$ 0.56    |
| Diluted:  |            |            |
| Net income  | \$ 241,826 | \$ 167,140 |
| Weighted-average shares outstanding   | 299,923    | 297,825    |
| Assumed exercise of common stock equivalents                                | 9,696      | 8,011      |
| Weighted-average common and common equivalent shares                        | 309,619    | 305,836    |
| Earnings per share:   | \$ 0.78    | \$ 0.55    |
| Anti-dilutive common stock equivalents related to outstanding stock options | 4,909      | 19,725     |

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|   | <b>Six Months Ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>April 30,</b>        | <b>May 1, 2010</b> |
|   | <b>2011</b>             |                    |
| Income from continuing operations, net of tax                               | \$ 457,432              | \$ 286,740         |
| Gain on sale of discontinued operations, net of tax                         | 6,500                   | 859                |
| Net income  | \$ 463,932              | \$ 287,599         |
| Basic shares:   |                         |                    |
| Weighted-average shares outstanding   | 299,570                 | 296,718            |
| Earnings per share-basic:   |                         |                    |
| Income from continuing operations, net of tax                               | \$ 1.53                 | \$ 0.97            |
| Gain on sale of discontinued operations, net of tax                         | 0.02                    | 0.00               |
| Net income  | \$ 1.55                 | \$ 0.97            |
| Diluted shares:   |                         |                    |
| Weighted-average shares outstanding   | 299,570                 | 296,718            |
| Assumed exercise of common stock equivalents                                | 9,664                   | 8,636              |
| Weighted-average common and common equivalent shares                        | 309,234                 | 305,354            |
| Earnings per share-diluted:   |                         |                    |
| Income from continuing operations, net of tax                               | \$ 1.48                 | \$ 0.94            |
| Gain on sale of discontinued operations, net of tax                         | 0.02                    | 0.00               |
| Net income  | \$ 1.50                 | \$ 0.94            |
| Anti-dilutive common stock equivalents related to outstanding stock options | 6,503                   | 19,442             |

**Note 6 Special Charges**

A summary of the Company's special charges and accruals related to ongoing actions is as follows:

|  | <b>Closure of<br/>Wafer<br/>Fabrication<br/>Facility<br/>in Sunnyvale</b> | <b>Reduction<br/>of<br/>Operating<br/>Costs</b> | <b>Closure of<br/>Wafer<br/>Fabrication<br/>Facility<br/>in<br/>Cambridge</b> | <b>Total<br/>Special<br/>Charges</b> |
|--|---|---|---|--------------------------------------|
| <b>Income Statement<br/>Fiscal 2008 Charges:</b> |   |   |   |                                      |

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|                                  |    |     |           |    |        |           |
|----------------------------------|----|-----|-----------|----|--------|-----------|
| Workforce reductions             | \$ | \$  | 1,627     | \$ | \$     | 1,627     |
| <b>Total Fiscal 2008 Charges</b> | \$ | \$  | 1,627     | \$ | \$     | 1,627     |
| <b>Fiscal 2009 Charges:</b>      |    |     |           |    |        |           |
| Workforce reductions             |    |     | 26,583    |    | 7,446  | 34,029    |
| Facility closure costs           |    |     | 2,411     |    | 57     | 2,468     |
| Non-cash impairment charge       |    |     | 839       |    | 14,629 | 15,468    |
| Other items                      |    |     | 500       |    |        | 500       |
| <b>Total Fiscal 2009 Charges</b> | \$ | \$  | 30,333    | \$ | 22,132 | \$ 52,465 |
| <b>Fiscal 2010 Charges:</b>      |    |     |           |    |        |           |
| Workforce reductions             |    |     | 10,908    |    |        | 10,908    |
| Facility closure costs           |    | 375 |           |    | 4,689  | 5,064     |
| Non-cash impairment charge       |    |     | 487       |    |        | 487       |
| Other items                      |    |     | 24        |    |        | 24        |
| <b>Total Fiscal 2010 Charges</b> | \$ | 375 | \$ 11,419 | \$ | 4,689  | \$ 16,483 |

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| <b>Balance Sheet</b>                  | <b>Reduction<br/>of<br/>Operating<br/>Costs</b> | <b>Closure of<br/>Wafer<br/>Fabrication<br/>Facility<br/>in<br/>Cambridge</b> | <b>Total<br/>Special<br/>Charges</b> |
|---------------------------------------|---|---|--------------------------------------|
| <b>Balance at October 30, 2010</b>    | \$ 5,546  | \$ 1,963  | \$ 7,509                             |
| Severance payments                    | (1,300)   | (457)   | (1,757)                              |
| Facility closure costs                |   | (560)   | (560)                                |
| Effect of foreign currency on accrual | (10)  |   | (10)                                 |
| <b>Balance at January 29, 2011</b>    | \$ 4,236  | \$ 946  | \$ 5,182                             |
| Severance payments                    | (1,288)   | (520)   | (1,808)                              |
| Facility closure costs                |   | (50)  | (50)                                 |
| Effect of foreign currency on accrual | 21  |   | 21                                   |
| <b>Balance at April 30, 2011</b>      | \$ 2,969  | \$ 376  | \$ 3,345                             |

*Closure of Wafer Fabrication Facility in Sunnyvale*

The Company ceased production at its California wafer fabrication facility in November 2006. The Company paid the related lease obligation costs on a monthly basis over the remaining lease term, which expired in March 2010. We recorded a one-time settlement charge of \$0.4 million in the first quarter of fiscal 2010 related to the termination of the lease. This action was completed during fiscal 2010.

*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 in accordance with its ongoing benefit plan or statutory requirements at foreign locations for 19 engineering, and selling, marketing, general and administrative (SMG&A) employees.

During fiscal 2009, the Company recorded an additional charge of \$30.3 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 no longer used as a result of this action; and approximately \$0.5 million was for contract termination costs and approximately \$0.3 million was for clean-up and closure costs that were expensed as incurred. The remaining \$26.6 million related to the severance and fringe benefit costs recorded in accordance with the Company's ongoing benefit plan or statutory requirements at foreign locations for 245 manufacturing employees and 302 engineering and SMG&A employees.

During the first quarter of fiscal 2010, the Company recorded an additional charge of \$11.4 million related to the further reduction of its operating cost structure. Approximately \$10.9 million of this charge was for severance and fringe benefit costs recorded in accordance with the Company's ongoing benefit plan or statutory requirements at foreign locations for 149 engineering and SMG&A employees. Approximately \$0.5 million of the charge relates to the Company's decision to abandon efforts to develop a particular expertise in power management, resulting in the impairment of related intellectual property.

The Company terminated the employment of all employees associated with this action and is paying amounts owed to them as income continuance.

*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 facility's 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 in accordance with the Company's ongoing benefit plan for 175 manufacturing employees and 9 SMG&A employees associated with this action.

The Company finished production in the Cambridge wafer fabrication facility and began clean-up activities during the fourth quarter of fiscal 2009. During the fourth quarter of fiscal 2009, the Company reversed approximately \$1.8 million of its severance accrual. The accrual reversal was required because 51 employees either voluntarily left the Company or found

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alternative employment within the Company. In addition, the Company recorded a special charge of approximately \$1.7 million for the impairment of manufacturing assets that were originally going to be moved to the Company's other wafer fabrication facilities but were no longer needed at those facilities and therefore had no future use. The Company also recorded a special charge of \$0.1 million for clean-up costs as the Company began its cleanup of the Cambridge wafer fabrication facility at the end of the fourth quarter of fiscal 2009. The Company terminated the employment of all employees associated with this charge and is paying amounts owed to them as income continuance.

During the first quarter of fiscal 2010, the Company recorded an additional charge of \$4.7 million related to this cost reduction action. Approximately \$3.4 million of the charge related to lease obligation costs for the Cambridge wafer fabrication facility, which the Company ceased using in the first quarter of fiscal 2010. The remaining \$1.3 million of the charge related to clean-up and closure costs that were expensed as incurred.

**Note 7 Segment Information**

The Company operates and tracks its results in one reportable segment based on the aggregation of five operating segments. 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.

*Revenue Trends 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<br>April 30, 2011 |                 |            | Three Months Ended<br>May 1, 2010 |                  |
|----------------------|--------------------------------------|-----------------|------------|-----------------------------------|------------------|
|                      | Revenue                              | % of<br>Revenue | Y/Y %      | Revenue                           | % of<br>Revenue* |
| Industrial           | \$ 384,253                           | 49%             | 21%        | \$ 316,371                        | 47%              |
| Automotive           | 106,250                              | 13%             | 28%        | 83,101                            | 12%              |
| Consumer             | 110,514                              | 14%             | -10%       | 122,444                           | 18%              |
| Communications       | 176,301                              | 22%             | 34%        | 131,356                           | 20%              |
| Computer             | 13,462                               | 2%              | -10%       | 14,968                            | 2%               |
| <b>Total revenue</b> | <b>\$ 790,780</b>                    | <b>100%</b>     | <b>18%</b> | <b>\$ 668,240</b>                 | <b>100%</b>      |

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

|                      | Six Months Ended<br>April 30, 2011 |                  |            | Six Months Ended<br>May 1, 2010 |                 |
|----------------------|------------------------------------|------------------|------------|---------------------------------|-----------------|
|                      | Revenue                            | % of<br>Revenue* | Y/Y %      | Revenue                         | % of<br>Revenue |
| Industrial           | \$ 720,664                         | 47%              | 25%        | \$ 578,756                      | 46%             |
| Automotive           | 200,857                            | 13%              | 29%        | 155,699                         | 12%             |
| Consumer             | 229,765                            | 15%              | -6%        | 243,390                         | 19%             |
| Communications       | 341,085                            | 22%              | 29%        | 264,793                         | 21%             |
| Computer             | 26,913                             | 2%               | -6%        | 28,585                          | 2%              |
| <b>Total revenue</b> | <b>\$ 1,519,284</b>                | <b>100%</b>      | <b>20%</b> | <b>\$ 1,271,223</b>             | <b>100%</b>     |

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

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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.

|                                   | Three Months Ended<br>April 30, 2011 |                 |            | Three Months Ended<br>May 1, 2010 |                 |
|-----------------------------------|--------------------------------------|-----------------|------------|-----------------------------------|-----------------|
|                                   | Revenue                              | % of<br>Revenue | Y/Y %      | Revenue                           | % of<br>Revenue |
| Converters                        | \$ 350,180                           | 44%             | 14%        | \$ 307,772                        | 46%             |
| Amplifiers / Radio frequency      | 213,168                              | 27%             | 25%        | 170,138                           | 25%             |
| Other analog                      | 111,030                              | 14%             | 30%        | 85,690                            | 13%             |
| Subtotal analog signal processing | 674,378                              | 85%             | 20%        | 563,600                           | 84%             |
| Power management & reference      | 56,109                               | 7%              | 21%        | 46,486                            | 7%              |
| <b>Total analog products</b>      | <b>\$ 730,487</b>                    | <b>92%</b>      | <b>20%</b> | <b>\$ 610,086</b>                 | <b>91%</b>      |
| Digital signal processing         | 60,293                               | 8%              | 4%         | 58,154                            | 9%              |
| <b>Total revenue</b>              | <b>\$ 790,780</b>                    | <b>100%</b>     | <b>18%</b> | <b>\$ 668,240</b>                 | <b>100%</b>     |

|                                   | Six Months Ended<br>April 30, 2011 |                 |            | Six Months Ended<br>May 1, 2010 |                  |
|-----------------------------------|------------------------------------|-----------------|------------|---------------------------------|------------------|
|                                   | Revenue                            | % of<br>Revenue | Y/Y %      | Revenue                         | % of<br>Revenue* |
| Converters                        | \$ 682,947                         | 45%             | 14%        | \$ 600,719                      | 47%              |
| Amplifiers / Radio frequency      | 408,183                            | 27%             | 29%        | 317,541                         | 25%              |
| Other analog                      | 202,434                            | 13%             | 29%        | 156,599                         | 12%              |
| Subtotal analog signal processing | 1,293,564                          | 85%             | 20%        | 1,074,859                       | 85%              |
| Power management & reference      | 109,462                            | 7%              | 28%        | 85,683                          | 7%               |
| <b>Total analog products</b>      | <b>\$ 1,403,026</b>                | <b>92%</b>      | <b>21%</b> | <b>\$ 1,160,542</b>             | <b>91%</b>       |
| Digital signal processing         | 116,258                            | 8%              | 5%         | 110,681                         | 9%               |
| <b>Total revenue</b>              | <b>\$ 1,519,284</b>                | <b>100%</b>     | <b>20%</b> | <b>\$ 1,271,223</b>             | <b>100%</b>      |

\* The sum of the individual percentages does 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 April 30, 2011 and May 1, 2010 was as follows:



| <b>Region</b>                   | <b>Three Months Ended</b> |                        | <b>Six Months Ended</b>   |                     |
|---------------------------------|---------------------------|------------------------|---------------------------|---------------------|
|                                 | <b>April 30,<br/>2011</b> | <b>May 1,<br/>2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b>  |
| United States                   | \$ 146,199                | \$ 128,360             | \$ 276,596                | \$ 245,323          |
| Rest of North and South America | 43,839                    | 37,984                 | 85,732                    | 67,863              |
| Europe                          | 231,331                   | 175,930                | 422,620                   | 317,996             |
| Japan                           | 92,780                    | 105,871                | 196,947                   | 216,221             |
| China                           | 154,571                   | 109,001                | 302,692                   | 215,523             |
| Rest of Asia                    | 122,060                   | 111,094                | 234,697                   | 208,297             |
| <b>Total revenue</b>            | <b>\$ 790,780</b>         | <b>\$ 668,240</b>      | <b>\$ 1,519,284</b>       | <b>\$ 1,271,223</b> |

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In the three- and six-month periods ended April 30, 2011 and May 1, 2010, the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, Sweden, France and the United Kingdom; and the predominant countries comprising Rest of Asia are Taiwan and South Korea.

**Note 8 Fair Value**

The Company 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. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. 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).

*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 April 30, 2011 and October 30, 2010 the Company held no assets or liabilities valued using Level 3 inputs.

The table below sets forth by level the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2011 and October 30, 2010. The table excludes cash on hand and assets and liabilities that are measured at historical cost or any basis other than fair value.

|   | April 30, 2011   |           |   | October 30, 2010   |           |   |       |
|---|--|-----------|---|--|-----------|---|-------|
|   | Fair Value measurement at Reporting Date using: Quoted Prices in Active Markets for Identical Assets (Level 1) |           | Significant Other Observable Inputs (Level 2) | Fair Value measurement at Reporting Date using: Quoted Prices in Active Markets for Identical Assets (Level 1) |           | Significant Other Observable Inputs (Level 2) | Total |
| <b>Assets</b>                                 |  |           |   |  |           |   |       |
| <b>Cash equivalents:</b>                      |  |           |   |  |           |   |       |
| Available-for-sale:                           |  |           |   |  |           |   |       |
| Institutional money market funds              | \$ 1,419,715   | \$        | \$ 1,419,715                                  | \$ 921,034   | \$        | \$ 921,034                                    |       |
| Corporate obligations                         |  | 426,255   | 426,255                                       |  | 99,959    | 99,959  |       |
| <b>Short-term investments:</b>                |  |           |   |  |           |   |       |
| Available-for-sale:                           |  |           |   |  |           |   |       |
| Securities with one year or less to maturity: |  |           |   |  |           |   |       |
| Corporate obligations (1)                     |  | 1,503,974 | 1,503,974                                     |  | 1,520,220 | 1,520,220                                     |       |
| Floating rate notes, issued at par            |  |           |   |  | 50,000    | 50,000  |       |

|  |              |              |              |            |              |              |
|--|--------------|--------------|--------------|------------|--------------|--------------|
| Securities with greater than one year to maturity:             |              |              |              |            |              |              |
| Floating rate notes (1)  |              | 17,629       | 17,629       |            | 17,548       | 17,548       |
| <b>Other assets:</b>   |              |              |              |            |              |              |
| Forward foreign currency exchange contracts (2)                |              | 12,376       | 12,376       |            | 7,256        | 7,256        |
| Deferred compensation investments                              | 25,914       |              | 25,914       | 8,690      |              | 8,690        |
| Other investments  | 1,495        |              | 1,495        | 1,317      |              | 1,317        |
| Interest rate swap agreements                                  |              | 18,310       | 18,310       |            | 26,801       | 26,801       |
| <b>Total assets measured at fair value</b>                     | \$ 1,447,124 | \$ 1,978,544 | \$ 3,425,668 | \$ 931,041 | \$ 1,721,784 | \$ 2,652,825 |
| <b>Liabilities</b>   |              |              |              |            |              |              |
| Long-term debt \$375 million aggregate principle 5.0% debt (3) | \$           | \$ 392,302   | \$ 392,302   | \$         | \$ 400,635   | \$ 400,635   |
| <b>Total liabilities measured at fair value</b>                | \$           | \$ 392,302   | \$ 392,302   | \$         | \$ 400,635   | \$ 400,635   |

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- (1) The amortized cost of the Company's investments classified as available-for-sale as of April 30, 2011 and October 30, 2010 was \$1,523.0 million and \$1,639.1 million, respectively.
- (2) The Company has a master netting arrangement by counterparty with respect to derivative contracts. As of April 30, 2011 and October 30, 2010, contracts in a liability position of \$0.7 million and \$0.8 million, respectively were netted against contracts in an asset position in the condensed consolidated balance sheets.
- (3) Equal to the accreted notional value of the debt plus the mark-to-market of the interest rate component of the long-term debt to fair value. The fair value of the long-term debt as of April 30, 2011 and October 30, 2010 was \$412.2 million and \$416.3 million, respectively.

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 mutual fund, money market fund and equity investments are based on quoted market prices.

**Long-term debt** The fair value of long-term debt is based on quotes received from third party banks.

**Interest rate swap agreements** The fair value of interest rate swap agreements is based on quotes received from third party banks. These values represent the estimated amount the Company would receive or pay to terminate the agreements taking into consideration current interest rates as well as the creditworthiness of the counterparty.

**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 if it sold these agreements at the reporting date taking into consideration current interest rates as well as the creditworthiness of the counterparty for assets and the Company's creditworthiness for liabilities.

**Financial Instruments Not Recorded at Fair Value on a Recurring Basis**

The Company accounts for its equity investments in privately held companies under the cost method. These investments are subject to periodic impairment review and measured and recorded at fair value when they are deemed to be other-than-temporarily impaired. The aggregate carrying value of the Company's investments in privately held companies was approximately \$2.1 million and was classified in other investments on the Company's Condensed Consolidated Balance Sheets as of April 30, 2011. The Company did not have any investments in privately held companies as of October 30, 2010.

On April 4, 2011, the Company issued \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 3.0% Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. The fair value of the 3.0% Notes as of April 30, 2011 was \$379.4 million.

**Note 9 Derivatives**

**Foreign Exchange Exposure Management** 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 the British Pound. These foreign currency exchange contracts are entered into to support transactions made in the normal course of business, and accordingly, are not speculative in nature. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. 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. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. 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 accumulated other comprehensive (loss) income (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

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generated by the re-measurement 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 April 30, 2011 and October 30, 2010, the total notional amount of these undesignated hedges was \$36.2 million and \$42.1 million, respectively. The fair value of these hedging instruments in the Company's condensed consolidated balance sheets as of April 30, 2011 was \$0.5 million. As of October 30, 2010, the amount was immaterial.

**Interest Rate Exposure Management** On June 30, 2009, the Company entered into interest rate swap transactions related to its outstanding 5.0% senior unsecured notes where the Company swapped the notional amount of its \$375 million of fixed rate debt at 5.0% into floating interest rate debt through July 1, 2014. Under the terms of the swaps, the Company will (i) receive on the \$375 million notional amount a 5.0% annual interest payment that is paid in two installments on the 1st of every January and July, commencing January 1, 2010 through and ending on the maturity date; and (ii) pay on the \$375 million notional amount an annual three month LIBOR plus 2.05% (2.35% as of April 30, 2011) interest payment, payable in four installments on the 1st of every January, April, July and October, commencing on October 1, 2009 and ending on the maturity date. The LIBOR-based rate is set quarterly three months prior to the date of the interest payment. The Company designated these swaps as fair value hedges. The fair value of the swaps at inception was zero and subsequent changes in the fair value of the interest rate swaps were reflected in the carrying value of the interest rate swaps on the balance sheet. The carrying value of the debt on the balance sheet was adjusted by an equal and offsetting amount. The gain or loss on the hedged item (that is, the fixed-rate borrowings) attributable to the hedged benchmark interest rate risk and the offsetting gain or loss on the related interest rate swaps for the six-month periods ended April 30, 2011 and May 1, 2010 are as follows:

| <b>Income Statement Classification</b> | <b>April 30, 2011</b> |                     |                          | <b>May 1, 2010</b>   |                     |                          |
|--|-----------------------|---------------------|--------------------------|----------------------|---------------------|--------------------------|
|  | <b>Loss on Swaps</b>  | <b>Gain on Note</b> | <b>Net Income Effect</b> | <b>Gain on Swaps</b> | <b>Loss on Note</b> | <b>Net Income Effect</b> |
| Other income                           | \$(8,491)             | \$ 8,491            | \$                       | \$9,630              | \$(9,630)           | \$                       |

The amounts earned and owed under the swap agreements are accrued each period and are reported in interest expense. There was no ineffectiveness recognized in any of the periods presented.

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 derivative 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. Furthermore, none of the Company's derivative transactions are subject to collateral or other security arrangements and none contain provisions that are dependent on the Company's credit ratings from any credit rating agency. 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 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. As a result of the above considerations, the Company does not consider the risk of counterparty default to be significant.

The Company records the fair value of its derivative financial instruments in the consolidated financial statements in other current assets, other assets or accrued liabilities, depending on their net position, 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 OCI. Changes in the fair value of cash flow hedges are recorded in OCI and reclassified into earnings when the underlying contract matures. Changes in the fair values of derivatives not qualifying for hedge accounting are reported in earnings as they occur.

The total notional amount of derivative instruments designated as hedging instruments as of April 30, 2011 and October 30, 2010 was as follows: \$375 million of interest rate swap agreements accounted for as fair value hedges,

and \$146.0 million and \$140.0 million, respectively, of cash flow hedges denominated in Euros, British Pounds and Philippine Pesos. The fair value of these hedging instruments in the Company's condensed consolidated balance sheets as of April 30, 2011 and October 30, 2010 was as follows:

|  | <b>Balance Sheet Location</b>                | <b>Fair Value at<br/>April 30,<br/>2011</b> | <b>Fair Value at<br/>October 30,<br/>2010</b> |
|--|--|---|---|
| Interest rate swap agreements                  | Other assets                                 | \$ 18,310                                   | \$ 26,801                                     |
| Forward foreign currency<br>exchange contracts | Prepaid expenses and other current<br>assets | \$ 11,925                                   | \$ 7,542                                      |

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The effect of derivative instruments designated as cash flow hedges on the condensed consolidated statements of income for the three- and six-month periods ended April 30, 2011 and May 1, 2010 are as follows:

|  | <b>Three Months Ended</b> |                    |
|--|---------------------------|--------------------|
|  | <b>April 30,</b>          | <b>May 1, 2010</b> |
|  | <b>2011</b>               |                    |
| Gain (loss) recognized in OCI on derivatives (net of tax of \$1,390 in 2011 and \$462 in 2010) | \$ 9,266                  | \$(2,634)          |
| (Gain) loss reclassified from OCI into income (net of tax of \$540 in 2011 and \$153 in 2010)  | \$(3,600)                 | \$ 873             |

|  | <b>Six Months Ended</b> |                    |
|--|-------------------------|--------------------|
|  | <b>April 30,</b>        | <b>May 1, 2010</b> |
|  | <b>2011</b>             |                    |
| Gain (loss) recognized in OCI on derivatives (net of tax of \$1,044 in 2011 and \$1,157 in 2010) | \$ 6,655                | \$(7,242)          |
| Gain reclassified from OCI into income (net of tax of \$595 in 2011 and \$208 in 2010)           | \$(4,012)               | \$(1,524)          |

The amounts reclassified into earnings before tax are recognized in cost of sales and operating expenses for the three- and six-month periods ended April 30, 2011 and May 1, 2010 are as follows:

|  | <b>Three Months Ended</b> |               |
|--|---------------------------|---------------|
|  | <b>April 30,</b>          | <b>May 1,</b> |
|  | <b>2011</b>               | <b>2010</b>   |
| Cost of sales                                  | \$1,815                   | \$ 114        |
| Research and development                       | \$1,167                   | \$ 483        |
| Selling, marketing, general and administrative | \$1,158                   | \$ 429        |

|  | <b>Six Months Ended</b> |                    |
|--|-------------------------|--------------------|
|  | <b>April 30,</b>        | <b>May 1, 2010</b> |
|  | <b>2011</b>             |                    |
| Cost of sales                                  | \$2,249                 | \$ 1,279           |
| Research and development                       | \$1,196                 | \$ 227             |
| Selling, marketing, general and administrative | \$1,162                 | \$ 226             |

All derivative gains and losses included in OCI will be reclassified into earnings within the next 12 months. There was no ineffectiveness in the three- and six-month periods ended April 30, 2011 or May 1, 2010.

**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. The Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis on the first day of the fourth quarter (on or about August 1) or more frequently if indicators of impairment exist. For our latest annual impairment assessment which occurred on August 1, 2010, the Company identified its reporting units to be its five operating segments, which meet the aggregation criteria for one reportable segment. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the



amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. No impairment of goodwill resulted in any of the fiscal years presented. The Company's next annual impairment assessment will be made on the first day of the fourth quarter of fiscal 2011 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 2011:

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|   | <b>Six Months<br/>Ended<br/>April 30, 2011</b> |
|---|--|
| Balance at beginning of period          | \$ 255,580                                     |
| Foreign currency translation adjustment | 5,059  |
| Balance at end of period                | \$ 260,639                                     |

*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 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:

|                        | <b>April 30, 2011</b>       |                             | <b>October 30, 2010</b>     |                             |
|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
| Technology-based       | \$ 6,699                    | \$ 6,284                    | \$ 7,166                    | \$ 6,323                    |
| Customer relationships | 3,055                       | 2,826                       | 2,858                       | 2,358                       |
| Total                  | \$ 9,754                    | \$ 9,110                    | \$ 10,024                   | \$ 8,681                    |

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 0.4 years.

Amortization expense was \$0.3 million and \$1.8 million for the three-month periods ended April 30, 2011 and May 1, 2010, respectively and \$0.7 million and \$3.6 million for the six-month periods ended April 30, 2011 and May 1, 2010, respectively.

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

| Fiscal Year       | Amortization<br>Expense |
|-------------------|-------------------------|
| Remainder of 2011 | \$ 644                  |

**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.

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

|  | <b>Three Months Ended</b>     |                    |
|--|-------------------------------|--------------------|
|  | <b>April<br/>30,<br/>2011</b> | <b>May 1, 2010</b> |
| Service cost                                   | \$ 2,308                      | \$ 1,478           |
| Interest cost                                  | 2,875                         | 2,401              |
| Expected return on plan assets                 | (2,760)                       | (2,772)            |
| Amortization of initial net obligation (asset) | 4                             | (7)                |
| Amortization of net loss (gain)                | 411                           | (25)               |
| Net periodic pension cost                      | \$ 2,838                      | \$ 1,075           |

|  | <b>Six Months Ended</b>       |                    |
|--|-------------------------------|--------------------|
|  | <b>April<br/>30,<br/>2011</b> | <b>May 1, 2010</b> |
| Service cost                                   | \$ 4,532                      | \$ 2,985           |
| Interest cost                                  | 5,628                         | 4,865              |
| Expected return on plan assets                 | (5,405)                       | (5,621)            |
| Amortization of initial net obligation (asset) | 8                             | (14)               |
| Amortization of net loss (gain)                | 804                           | (49)               |
| Net periodic pension cost                      | \$ 5,567                      | \$ 2,166           |

Pension contributions of \$2.7 million and \$5.2 million were made by the Company during the three and six months ended April 30, 2011, respectively. The Company presently anticipates contributing an additional \$4.8 million to fund its defined benefit pension plans in fiscal year 2011 for a total of \$10.0 million.

**Note 12 Revolving Credit Facility**

As of April 30, 2011, the Company had \$3,431.4 million of cash and cash equivalents and short-term investments, of which \$1,246.5 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. 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. As of April 30, 2011, the Company was 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 Debt**

On June 30, 2009, the Company issued \$375 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014 (the 5.0% Notes) with semi-annual fixed interest payments on January 1 and July 1 of each year, commencing January 1, 2010. The sale of the 5.0% Notes was made pursuant to the terms of an underwriting agreement dated June 25, 2009 between the Company and Credit Suisse Securities (USA) LLC, as representative of the several underwriters named therein. The net proceeds of the offering were \$370.4 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which will be amortized over the term of the 5.0% Notes. The indenture governing the 5.0% Notes contains covenants that may limit the Company's ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. As of April 30, 2011, the Company was compliant with these covenants.

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On June 30, 2009, the Company entered into interest rate swap transactions where the Company swapped the notional amount of its \$375 million of fixed rate debt at 5.0% into floating interest rate debt through July 1, 2014. Under the terms of the swaps, the Company will (i) receive on the \$375 million notional amount a 5.0% annual interest payment that is paid in two installments on the 1st business day of every January and July, commencing January 1, 2010 through and ending on the maturity date; and (ii) pay on the \$375 million notional amount an annual three month LIBOR plus 2.05% (2.35% as of April 30, 2011) interest payment, payable in four installments on the 1st business day of every January, April, July and October, commencing on October 1, 2009 and ending on the maturity date. The LIBOR-based rate is set quarterly three months prior to the date of the interest payment. The Company designated these swaps as fair value hedges. The changes in the fair value of the interest rate swaps were reflected in the carrying value of the interest rate swaps in other assets on the balance sheet. The carrying value of the debt on the balance sheet was adjusted by an equal and offsetting amount.

On December 22, 2010, Analog Devices Holdings B.V. a wholly owned subsidiary of the Company, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent. The borrower's obligations are guaranteed by the Company. The credit agreement provides for a term loan facility of \$145 million, which matures on December 22, 2013. The terms of the agreement provide for a three year principle amortization schedule with \$3.6 million payable quarterly every March, June, September and December with the balance payable upon the maturity date. The loan will bear interest at a fluctuating rate for each period equal to the annual LIBOR rate applicable to that interest period plus 1.25% (1.56% as of April 30, 2011). The terms of this facility include limitations on subsidiary indebtedness and on liens against the assets of the Company and its subsidiaries, and also include financial covenants that require the Company to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio. As of April 30, 2011, the Company was compliant with these covenants. As of April 30, 2011, \$14.5 million of this debt was classified as short-term.

On April 4, 2011, the Company issued \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 3.0% Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. The sale of the 3.0% Notes was made pursuant to the terms of an underwriting agreement dated March 30, 2011 between the Company and Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as representative of the several underwriters named therein. The net proceeds of the offering were \$370.5 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which will be amortized over the term of the 3.0% Notes. The indenture governing the 3.0% Notes contains covenants that may limit the Company's ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of its assets to, any other party. As of April 30, 2011, the Company was compliant with these covenants.

**Note 14 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 \$5 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 April 30, 2011, the Company had repurchased a total of approximately 120.8 million shares of its common stock for approximately \$4,129.4 million under this program. An additional \$870.6 million remains available for repurchase of shares under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. Any future common stock repurchases will be dependent upon several factors, including the amount of cash available to the Company in the United States and the Company's financial performance, outlook and liquidity. The Company also from time to time repurchases shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock units, or in certain limited circumstances to satisfy the exercise price of options granted to the Company's employees under the Company's equity compensation plans.

**Note 15 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 consisted 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. In connection with the purchase and sale agreement, \$7.5 million was placed into escrow and was excluded from the gain calculations. 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,

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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: (i) the sale of a business and (ii) 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. In the first quarter of fiscal 2010, additional proceeds of \$1 million were released from escrow and \$0.6 million net of tax was recorded as additional gain from the sale of discontinued operations. The Company does not expect any additional proceeds from this sale.

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. The cash proceeds received were net of a refundable withholding tax of \$62 million. In connection with the purchase and sale agreement, \$10 million was placed into escrow and was excluded from the gain calculations. The Company made additional cash payments of \$1.7 million during fiscal 2009 related to retention payments for employees who transferred to MediaTek Inc. and for the reimbursement of intellectual property license fees incurred by MediaTek Inc. In the first quarter of fiscal 2010, the Company received cash proceeds of \$62 million as a result of the refund of the withholding tax and also recorded an additional gain on sale of \$0.3 million, or \$0.2 million net of tax, due to the settlement of certain items at less than the amounts accrued. In the first quarter of fiscal 2011, additional proceeds of \$10 million were released from escrow and \$6.5 million net of tax was recorded as additional gain from the sale of discontinued operations. The Company does not expect any additional proceeds from this sale.

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.

|   | <b>Six Months Ended</b>       |                    |
|---|-------------------------------|--------------------|
|   | <b>April<br/>30,<br/>2011</b> | <b>May 1, 2010</b> |
| Gain on sale of discontinued operations before income taxes | \$ 10,000                     | \$ 1,316           |
| Provision for income taxes                                  | 3,500                         | 457                |
| Gain on sale of discontinued operations, net of tax         | \$ 6,500                      | \$ 859             |

**Note 16 Income Taxes**

The Company has provided for potential tax 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 from 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 Years 2004 and 2005 IRS Examination*

During the fourth quarter of fiscal 2007, the Internal Revenue Service (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 four proposed adjustments related to these two fiscal years that the Company protested to the Appellate Division. Two of the unresolved matters were one-time issues that pertain to Section 965 of the Internal Revenue Code related to the beneficial tax treatment of dividends paid from foreign owned companies under The American

Jobs Creation Act. The other matters pertain to the computation of the research and development (R&D) tax credit and certain profits earned from manufacturing activities carried on outside the United States. The Company recorded a tax liability for a portion of the proposed R&D tax credit adjustment. These four items had an additional potential tax liability of \$46 million. The Company had concluded, based on discussions with its tax advisors, that these items were not likely to result in any additional tax liability. Therefore, the Company had not recorded any additional tax liability for these items.



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During the second quarter of fiscal 2011, the Company reached settlement with the Appellate Division on three of the four items under protest. The remaining unresolved matter is a one-time issue pertaining 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 Company will submit a petition to Tax Court for this open matter. The potential liability for this adjustment is \$36.5 million. The Company has concluded, based on discussions with its tax advisors, that this item is not likely to result in any additional tax liability. Therefore, the Company has not recorded any additional tax liability for this issue.

*Fiscal Years 2006 and 2007 IRS Examination*

During the third quarter of fiscal 2009, the IRS completed its field examination of the Company's fiscal years 2006 and 2007. The IRS and the Company 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 for the fiscal 2006 and fiscal 2007 tax years, 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. The Company recorded taxes related to a portion of the proposed R&D tax credit adjustment. These four items had an additional potential total tax liability of \$195 million. The Company concluded, based on discussions with its tax advisors, that these items were not likely to result in any additional tax liability. Therefore, the Company had not recorded any additional tax liability for these items and appealed these proposed adjustments through the normal processes for the resolution of differences between the IRS and taxpayers.

During the second quarter of fiscal 2011, the Company reached an agreement with the Appellate Division on three of the four protested items, two of which were the same issues settled relating to the 2004 and 2005 tax years. Transfer pricing remains as the only item under protest with the Appellate Division. The potential U.S. tax liability for this matter is \$157.5 million. This matter could impact taxes payable for subsequent years. The Company has concluded, based on discussions with its tax advisors, that this item is not likely to result in any additional tax liability. Therefore, the Company has not recorded any additional tax liability for this issue.

As a result of settling certain tax issues for fiscal 2004 through fiscal 2007 tax years at the Appellate Division of the IRS the Company recorded a net \$10.8 million tax benefit in the second quarter of fiscal 2011.

*Fiscal Years 2008 and 2009 IRS Examination*

The IRS has not started their examination of the Company's fiscal year 2008 or fiscal year 2009.

*Uncertain tax positions*

The following table summarizes the changes in the total amounts of uncertain tax positions for the six months ended April 30, 2011.

|  |           |
|--|-----------|
| Balance, October 30, 2010                                  | \$ 18,447 |
| Additions based on tax positions related to the prior year | 9,265     |
| Reductions for tax positions related to prior years        | (17,677)  |
| Settlements with taxing authorities                        | (370)     |
| Balance, April 30, 2011                                    | \$ 9,665  |

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 as well as for subsequent years.

**Note 17 New Accounting Pronouncements***Multiple-Deliverable Revenue Arrangements*

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2009-13 *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (formerly EITF Issue No. 08-1) (ASU No. 2009-13). This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple-deliverable revenue arrangements. ASU No. 2009-13 is effective for fiscal years that begin on or after June 15, 2010, which is the Company's fiscal year 2011. The adoption of ASU 2009-13 in the first quarter of fiscal 2011 did not have a material impact on the Company's financial condition and results of operations.

*Business Combinations*

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations (ASC Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU No. 2010-29). ASU No. 2010-29 requires a public entity to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the prior year. It also requires a description of the nature and amount of material, nonrecurring adjustments directly attributable to the business combination included in the reported revenue and earnings. The new disclosure will be effective for the Company's first quarter of fiscal year 2012. The adoption of ASU No. 2010-29 will require additional disclosure in the event of a business combination but will not have a material impact on the Company's financial condition and results of operations.

*Intangibles Goodwill and Other*

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles- Goodwill and Other (ASC Topic 350)* (ASU No. 2010-28). ASU 210-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years that begin after December 15, 2010, which is the Company's fiscal year 2012. The company is currently evaluating the impact, if any, that ASU No. 2010-28 may have on the Company's financial condition and results of operations.

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**Note 18 Subsequent Event**

On May 16, 2011, the Company's Board of Directors declared a cash dividend of \$0.25 per outstanding share of common stock. The dividend will be paid on June 15, 2011 to all shareholders of record at the close of business on May 27, 2011.

**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 October 30, 2010.

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 to continue," "may," 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 uncertainty remaining after the recent global credit and financial market crisis; the impact of the recent earthquake and tsunami in Japan; our anticipated growth and trends in our businesses, our future capital needs and capital expenditures; our future market position and expected 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 ability to service our outstanding debt; our expected tax rate; the future actions of our third-party suppliers; the expected outcomes of intellectual property and litigation matters; potential acquisitions or divestitures; the expected activities of our 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 this 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 except to the extent required by law.

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. 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*

|  | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b> |                    |
|--|---------------------------|--------------------|-------------------------|--------------------|
|  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30, 2011</b>   | <b>May 1, 2010</b> |
| Revenue  | \$ 790,780                | \$ 668,240         | \$ 1,519,284            | \$ 1,271,223       |
| Gross margin %   | 67.6%                     | 65.0%              | 66.9%                   | 63.2%              |
| Income from continuing operations, net of tax                    | \$ 241,826                | \$ 167,140         | \$ 457,432              | \$ 286,740         |
| Income from continuing operations, net of tax, as a % of revenue | 30.6%                     | 25.0%              | 30.1%                   | 22.6%              |
| Diluted EPS from continuing operations                           | \$ 0.78                   | \$ 0.55            | \$ 1.48                 | \$ 0.94            |
| Diluted EPS  | \$ 0.78                   | \$ 0.55            | \$ 1.50                 | \$ 0.94            |



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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*.

In the second quarter of fiscal 2011, our revenue increased 18% from the second quarter of fiscal 2010 and our diluted earnings per share from continuing operations increased from \$0.55 to \$0.78. Cash flow from operations in the first six months of fiscal 2011 was \$413.4 million, or 27% of revenue. We received proceeds of \$515.5 million during the first six months of fiscal 2011 relating to the issuance of \$375 million aggregate principal amount of 3.0% senior unsecured notes and a \$145 million term loan facility we entered into through a wholly owned subsidiary. In addition we received \$148.1 million in net proceeds related to employee stock option exercises. In the first six months of fiscal 2011 we repurchased a total of approximately 4.8 million shares of our common stock for an aggregate of \$181.2 million, distributed \$131.8 million to our shareholders in dividend payments and paid \$59.7 million for capital expenditures. These factors contributed to the net increase in cash and cash equivalents of \$824.8 million in the first six months of fiscal 2011.

The year-to-year increase in revenue and profitability for the three and six months ended April 30, 2011 was primarily the result of the continued resurgence of economic activity and improving global macro-economic conditions following the general economic downturn resulting from the global credit and financial crisis. The strategy we employed over the past two years to focus on products and markets that value innovation and to make fundamental improvements to our cost structure aided in our growth and profitability. Improving macro-trends in the industrial, communications, automotive and healthcare markets also helped, and we believe will continue to help, to generate strong growth opportunities for us in the future. However, these trends remain uncertain and we cannot predict the sustainability of the current economic conditions or how changes in the markets we operate in may affect us in the future. Based on discussions with our customers and supply chain and foundry partners, we do not currently expect a material adverse effect to our results of operations as a result of the Japan earthquake and tsunami that occurred in March 2011. However, we are continuing to monitor the impact of the crisis on our customers and supply chain and there can be no assurance that, once the full impact of the disaster has been absorbed, our results of operations will not be materially affected by the events in Japan. Consequently, our reported results for the second quarter of fiscal 2011 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<br>April 30, 2011 |                 |            | Three Months Ended<br>May 1, 2010 |                  |
|----------------------|--------------------------------------|-----------------|------------|-----------------------------------|------------------|
|                      | Revenue                              | % of<br>Revenue | Y/Y %      | Revenue                           | % of<br>Revenue* |
| Industrial           | \$ 384,253                           | 49%             | 21%        | \$ 316,371                        | 47%              |
| Automotive           | 106,250                              | 13%             | 28%        | 83,101                            | 12%              |
| Consumer             | 110,514                              | 14%             | -10%       | 122,444                           | 18%              |
| Communications       | 176,301                              | 22%             | 34%        | 131,356                           | 20%              |
| Computer             | 13,462                               | 2%              | -10%       | 14,968                            | 2%               |
| <b>Total revenue</b> | <b>\$ 790,780</b>                    | <b>100%</b>     | <b>18%</b> | <b>\$ 668,240</b>                 | <b>100%</b>      |

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



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|                      | Six Months Ended<br>April 30, 2011 |                  |            | Six Months Ended<br>May 1, 2010 |                 |
|----------------------|------------------------------------|------------------|------------|---------------------------------|-----------------|
|                      | Revenue                            | % of<br>Revenue* | Y/Y%       | Revenue                         | % of<br>Revenue |
| Industrial           | \$ 720,664                         | 47%              | 25%        | \$ 578,756                      | 46%             |
| Automotive           | 200,857                            | 13%              | 29%        | 155,699                         | 12%             |
| Consumer             | 229,765                            | 15%              | -6%        | 243,390                         | 19%             |
| Communications       | 341,085                            | 22%              | 29%        | 264,793                         | 21%             |
| Computer             | 26,913                             | 2%               | -6%        | 28,585                          | 2%              |
| <b>Total revenue</b> | <b>\$ 1,519,284</b>                | <b>100%</b>      | <b>20%</b> | <b>\$ 1,271,223</b>             | <b>100%</b>     |

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

*Industrial* The year-to-year increase in revenue in the three- and six-month periods ended April 30, 2011 in industrial end market revenue was primarily the result of a broad-based increase in demand in this end market, which was most significant for products sold into the instrumentation and industrial automation sectors and to a lesser extent, products sold into the energy and healthcare sectors.

*Automotive* The year-to-year increase in revenue in the three- and six-month periods ended April 30, 2011 in automotive end market revenue was primarily the result of a general increase in the electronic content found in vehicles and to a lesser extent inventory replenishment by our customers.

*Consumer* The year-to-year decrease in revenue in the three- and six- month periods ended April 30, 2011 in consumer end market revenue was primarily the result of a decrease in demand for products in the digital camera and home entertainment sector as a result of the earthquake and tsunami that occurred in Japan in March 2011, partially offset by an increase in demand for products used in other consumer applications in this end market.

*Communications* The year-to-year increase in revenue in the three- and six-month periods ended April 30, 2011 in communications end market revenue was primarily the result of a broad-based increase in demand in this end market, which was most significant for the base station end market sector.

#### *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<br>April 30, 2011 |                 |            | Three Months Ended<br>May 1, 2010 |                 |
|-----------------------------------|--------------------------------------|-----------------|------------|-----------------------------------|-----------------|
|                                   | Revenue                              | % of<br>Revenue | Y/Y%       | Revenue                           | % of<br>Revenue |
| Converters                        | \$ 350,180                           | 44%             | 14%        | \$ 307,772                        | 46%             |
| Amplifiers / Radio frequency      | 213,168                              | 27%             | 25%        | 170,138                           | 25%             |
| Other analog                      | 111,030                              | 14%             | 30%        | 85,690                            | 13%             |
| Subtotal analog signal processing | 674,378                              | 85%             | 20%        | 563,600                           | 84%             |
| Power management & reference      | 56,109                               | 7%              | 21%        | 46,486                            | 7%              |
| <b>Total analog products</b>      | <b>\$ 730,487</b>                    | <b>92%</b>      | <b>20%</b> | <b>\$ 610,086</b>                 | <b>91%</b>      |



|                           |                   |             |            |                   |             |
|---------------------------|-------------------|-------------|------------|-------------------|-------------|
| Digital signal processing | 60,293            | 8%          | 4%         | 58,154            | 9%          |
| <b>Total revenue</b>      | <b>\$ 790,780</b> | <b>100%</b> | <b>18%</b> | <b>\$ 668,240</b> | <b>100%</b> |

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|                                   | Six Months Ended<br>April 30, 2011 |                 |            | Six Months Ended<br>May 1, 2010 |                  |  |
|-----------------------------------|------------------------------------|-----------------|------------|---------------------------------|------------------|--|
|                                   | Revenue                            | % of<br>Revenue | Y/Y %      | Revenue                         | % of<br>Revenue* |  |
| Converters                        | \$ 682,947                         | 45%             | 14%        | \$ 600,719                      | 47%              |  |
| Amplifiers / Radio frequency      | 408,183                            | 27%             | 29%        | 317,541                         | 25%              |  |
| Other analog                      | 202,434                            | 13%             | 29%        | 156,599                         | 12%              |  |
| Subtotal analog signal processing | 1,293,564                          | 85%             | 20%        | 1,074,859                       | 85%              |  |
| Power management & reference      | 109,462                            | 7%              | 28%        | 85,683                          | 7%               |  |
| <b>Total analog products</b>      | <b>\$ 1,403,026</b>                | <b>92%</b>      | <b>21%</b> | <b>\$ 1,160,542</b>             | <b>91%</b>       |  |
| Digital signal processing         | 116,258                            | 8%              | 5%         | 110,681                         | 9%               |  |
| <b>Total revenue</b>              | <b>\$ 1,519,284</b>                | <b>100%</b>     | <b>20%</b> | <b>\$ 1,271,223</b>             | <b>100%</b>      |  |

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

The year-to-year increase in total revenue in the three- and six-month periods ended April 30, 2011 was primarily the result of a broad-based increase in sales across all product categories.

*Revenue Trends by Geographic Region*

Revenue by geographic region, based upon customer location, for the three- and six-month periods ended April 30, 2011 and May 1, 2010 was as follows:

| Region                          | Three Months Ended |                   | Six Months Ended    |                     |
|---------------------------------|--------------------|-------------------|---------------------|---------------------|
|                                 | April 30,<br>2011  | May 1,<br>2010    | April 30,<br>2011   | May 1, 2010         |
| United States                   | \$ 146,199         | \$ 128,360        | \$ 276,596          | \$ 245,323          |
| Rest of North and South America | 43,839             | 37,984            | 85,732              | 67,863              |
| Europe                          | 231,331            | 175,930           | 422,620             | 317,996             |
| Japan                           | 92,780             | 105,871           | 196,947             | 216,221             |
| China                           | 154,571            | 109,001           | 302,692             | 215,523             |
| Rest of Asia                    | 122,060            | 111,094           | 234,697             | 208,297             |
| <b>Total revenue</b>            | <b>\$ 790,780</b>  | <b>\$ 668,240</b> | <b>\$ 1,519,284</b> | <b>\$ 1,271,223</b> |

In the three- and six-month periods ended April 30, 2011 and May 1, 2010, the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, Sweden, France and the United Kingdom; and the predominant countries comprising Rest of Asia are Taiwan and South Korea.

Sales increased in all geographic regions, except Japan, in the second quarter of fiscal 2011 as compared to second quarter of fiscal 2010, with sales in Europe and China experiencing the largest increases. The decrease in sales in Japan was primarily the result of lower sales activity in the consumer end market sector in this region as a result of the earthquake and tsunami that occurred in Japan in March 2011, partially offset by an increase in communications end market sales in this region.

Sales increased in all geographic regions, except Japan, in the first six months of fiscal 2011 as compared to the first six months of fiscal 2010, with sales in Europe and China experiencing the largest increases. The decrease in

sales in Japan was primarily the result of lower sales activity in the consumer end market sector in this region as a result of the earthquake and tsunami that occurred in Japan in March 2011, partially offset by an increase in industrial end market sales in this region.

**Table of Contents***Gross Margin*

|                | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b> |                    |
|----------------|---------------------------|--------------------|-------------------------|--------------------|
|                | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30, 2011</b>   | <b>May 1, 2010</b> |
| Gross margin   | \$534,214                 | \$434,515          | \$1,016,387             | \$802,991          |
| Gross margin % | 67.6%                     | 65.0%              | 66.9%                   | 63.2%              |

Gross margin percentage was higher by 260 basis points in the second quarter of fiscal 2011 as compared to the second quarter of fiscal 2010 primarily as a result of an increase in sales of \$122.5 million, increased operating levels in our manufacturing facilities and the impact of efforts to reduce overall manufacturing costs, including the savings realized as a result of wafer fabrication consolidation actions.

Gross margin percentage was higher by 370 basis points in the six months ended April 30, 2011 as compared to the six months ended May 1, 2010 primarily as a result of an increase in sales of \$248.1 million, increased operating levels in our manufacturing facilities and the impact of efforts to reduce overall manufacturing costs, including the savings realized as a result of wafer fabrication consolidation actions.

*Research and Development*

|                                | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b>   |                    |
|--------------------------------|---------------------------|--------------------|---------------------------|--------------------|
|                                | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| R&D expenses                   | \$130,460                 | \$122,780          | \$253,205                 | \$237,178          |
| R&D expenses as a % of revenue | 16.5%                     | 18.4%              | 16.7%                     | 18.7%              |

Research and development, or R&D, expenses increased \$7.7 million, or 6%, in the second quarter of fiscal 2011 as compared to the second quarter of fiscal 2010, and increased \$16.0 million, or 7%, in the six months ended April 30, 2011 as compared to the six months ended May 1, 2010. The increases for the three- and six- month periods were primarily the result of higher employee salary and benefit expense due to salary increases that were effective at the beginning of the second quarter of fiscal 2011. In addition, variable compensation expense, which is a variable expense linked to our overall profitability and revenue growth, increased.

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*

|                                  | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b>   |                    |
|----------------------------------|---------------------------|--------------------|---------------------------|--------------------|
|                                  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| SMG&A expenses                   | \$105,268                 | \$97,660           | \$205,290                 | \$186,141          |
| SMG&A expenses as a % of revenue | 13.3%                     | 14.6%              | 13.5%                     | 14.6%              |

Selling, marketing, general and administrative, or SMG&A, expenses increased \$7.6 million, or 8%, in the second quarter of fiscal 2011 as compared to the second quarter of fiscal 2010, and increased \$19.1 million, or 10%, in the six months ended April 30, 2011 as compared to the six months ended May 1, 2010. The increases for the three- and six-month periods were primarily the result of higher employee salary and benefit expense due to salary increases that were effective at the beginning of the second quarter of fiscal 2011. In addition, variable compensation expense, which is a variable expense linked to our overall profitability and revenue growth, increased.



**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 paid the related lease obligation costs on a monthly basis over the remaining lease term, which expired in March 2010. We recorded a one-time settlement charge of \$0.4 million in the first quarter of fiscal 2010 related to the termination of the lease. This action was completed during fiscal 2010.

*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 in accordance with our ongoing benefit plan or the statutory requirements at foreign locations for 19 engineering, selling, marketing, general and administrative employees.

During fiscal 2009, we recorded an additional charge of \$30.3 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 quarter of fiscal 2009; approximately \$0.8 million was for the write-off of property, plant and equipment no longer used as a result of this action; and approximately \$0.5 million was for contract termination costs and approximately \$0.3 million was for clean-up and closure costs that we expensed as incurred. The remaining \$26.6 million related to the severance and fringe benefit costs recorded in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 245 manufacturing employees and 302 engineering and SMG&A employees. This cost reduction action, which was substantially completed during the second quarter of fiscal 2009, resulted in annual savings of approximately \$36.4 million. These annual savings are being realized as follows: approximately \$31.6 million in SMG&A expenses and approximately \$4.8 million in cost of sales.

During the first quarter of fiscal 2010, we recorded an additional charge of \$11.4 million related to the further reduction of our operating cost structure. Approximately \$10.9 million of this charge was for severance and fringe benefit costs recorded in accordance with our ongoing benefit plan or statutory requirements at foreign locations for 149 engineering and SMG&A employees. Approximately \$0.5 million of the charge related to our decision to abandon efforts to develop a particular expertise in power management, resulting in the impairment of related intellectual property. These cost reductions actions, which were fully implemented in the first quarter of fiscal 2011, resulted in annual savings of approximately \$16 million.

We terminated the employment of all employees associated with this action and are paying amounts owed to them as income continuance.

*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 facility's 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 in accordance with our ongoing benefit plan for 175 manufacturing employees and 9 SMG&A employees associated with this action.

We finished production in the Cambridge wafer fabrication facility and began clean-up activities during the fourth quarter of fiscal 2009. During the fourth quarter of fiscal 2009, we reversed approximately \$1.8 million of our severance accrual. The accrual reversal was required because 51 employees either voluntarily left Analog or found alternative employment within Analog. In addition, we recorded a special charge of approximately \$1.7 million for the impairment of manufacturing assets that were originally going to be moved to our other wafer fabrication facilities but were no longer needed at those facilities and therefore had no future use. We also recorded a special charge of \$0.1 million for clean-up costs as we began our clean-up of the Cambridge wafer fabrication facility at the end of the fourth quarter of fiscal 2009. We terminated the employment of all employees associated with this charge and are paying amounts owed to them as income continuance. We estimate that this action will result in annual cost savings of approximately \$41 million per year, which we began realizing in the third quarter of fiscal 2010. These annual savings

are being 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 relates to SMG&A expenses.

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During the first quarter of fiscal 2010, we recorded an additional charge of \$4.7 million related to this cost reduction action. Approximately \$3.4 million of the charge related to lease obligation costs for the Cambridge wafer fabrication facility, which we ceased using in the first quarter of fiscal 2010, and the remaining \$1.3 million of the charge related to clean-up and closure costs. These cost reductions resulted in annual savings of approximately \$2.4 million, which we began realizing in the first quarter of fiscal 2010.

*Operating Income from Continuing Operations*

|   | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b>   |                    |
|---|---------------------------|--------------------|---------------------------|--------------------|
|   | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| Operating income from continuing operations                   | \$298,486                 | \$214,075          | \$557,892                 | \$363,189          |
| Operating income from continuing operations as a % of revenue | 37.7%                     | 32.0%              | 36.7%                     | 28.6%              |

The \$84.4 million increase in operating income from continuing operations in the second quarter of fiscal 2011 as compared to the second quarter of fiscal 2010 was primarily the result of an increase in revenue of \$122.5 million and a 260 basis point increase in gross margin percentage.

The \$194.7 million increase in operating income from continuing operations in the six months ended April 30, 2011 as compared to the six months ended May 1, 2010 was primarily the result of an increase in revenue of \$248.1 million and a 370 basis point increase in gross margin percentage.

*Nonoperating (Income) Expense*

|                            | <b>Three Months Ended</b>     |                        | <b>Six Months Ended</b>       |                        |
|----------------------------|-------------------------------|------------------------|-------------------------------|------------------------|
|                            | <b>April<br/>30,<br/>2011</b> | <b>May 1,<br/>2010</b> | <b>April<br/>30,<br/>2011</b> | <b>May 1,<br/>2010</b> |
| Interest expense           | \$ 4,078                      | \$ 2,568               | \$ 6,908                      | \$ 5,106               |
| Interest income            | (2,197)                       | (2,025)                | (4,482)                       | (4,205)                |
| Other, net                 | (151)                         | (488)                  | (110)                         | 1                      |
| Total nonoperating expense | \$ 1,730                      | \$ 55                  | \$ 2,316                      | \$ 902                 |

Nonoperating expense was higher by \$1.7 million in the second quarter of fiscal 2011 as compared to the second quarter of fiscal 2010 primarily due to an increase in interest expense incurred as a result of the issuance of \$375 million aggregate principal amount of 3.0% senior unsecured notes on April 4, 2011 and the \$145 million term loan facility we entered into through a wholly owned subsidiary in December 2010. This increase was partially offset by an increase to interest income as a result of higher invested cash balances, partially mitigated by lower interest rates.

Nonoperating expense was higher by \$1.4 million in the six months ended April 30, 2011 as compared to the six months ended May 1, 2010 primarily due to an increase in interest expense incurred as a result of the issuance of \$375 million aggregate principal amount of 3.0% senior unsecured notes on April 4, 2011 and the \$145 million term loan facility we entered into through a wholly owned subsidiary in December 2010. This increase was partially offset by an increase to interest income as a result of higher invested cash balances, partially mitigated by lower interest rates.

*Provision for Income Taxes*

|  | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b>   |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |



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|                            |          |          |          |          |
|----------------------------|----------|----------|----------|----------|
| Provision for income taxes | \$54,930 | \$46,880 | \$98,144 | \$75,547 |
| Effective income tax rate  | 18.5%    | 21.9%    | 17.7%    | 20.9%    |

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned.

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Our effective tax rate for the second quarter of fiscal 2011 was lower by 340 basis points compared to our effective tax rate for the second quarter of fiscal 2010. The tax rate for the second quarter of fiscal 2011 included a net tax benefit of \$10.8 million related to the settlement with the Appellate Division of the Internal Revenue Service of certain tax matters for the fiscal 2004 through fiscal 2007 tax years. The tax benefit, which had the effect of decreasing our 2011 tax rate, was partially offset by a change in the mix of our income in the second quarter of fiscal 2011 to jurisdictions where income is taxed at a higher rate.

Our effective tax rate for the six months ended April 30, 2011 was lower by 320 basis points compared to our effective tax rate for the six months ended May 1, 2010. The tax rate for the six months ended April 30, 2011 included the following items which caused a decrease in our tax rate: the reinstatement of the federal R&D tax credit in December 2010 retroactive to January 1, 2010 resulting in a \$6 million income tax savings, a \$7 million reduction in the state tax credits valuation reserve which we believe we can now recover, a \$0.5 million tax benefit from the increase in Irish deferred taxes as a result of the increase in the Irish manufacturing tax rate from 10% to 12.5% and a net \$10.8 million tax benefit related to the settlement with the Appellate Division of the Internal Revenue Service of certain tax matters for the fiscal 2004 through fiscal 2007 tax years. These items, which had the effect of decreasing our 2011 tax rate, were partially offset by a change in the mix of our income in the six months ended April 30, 2011 to jurisdictions where income is taxed at a higher rate. In addition, the six months ended May 1, 2010 included special charges, a majority of which provided a tax benefit at the higher U.S. tax rate.

*Income from Continuing Operations, net of tax*

|  | <b>Three Months Ended</b> |                    | <b>Six Months Ended</b>   |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> | <b>April 30,<br/>2011</b> | <b>May 1, 2010</b> |
| Income from continuing operations, net of tax                    | \$241,826                 | \$167,140          | \$457,432                 | \$286,740          |
| Income from continuing operations, net of tax, as a % of revenue | 30.6%                     | 25.0%              | 30.1%                     | 22.6%              |
| Diluted EPS from continuing operations                           | \$ 0.78                   | \$ 0.55            | \$ 1.48                   | \$ 0.94            |

Net income from continuing operations in the second quarter of fiscal 2011 was higher than in the second quarter of fiscal 2010 by approximately \$74.7 million primarily as a result of the \$84.4 million increase in operating income from continuing operations, offset by a higher provision for income taxes in the second quarter of fiscal 2011 than in the second quarter of fiscal 2010.

Net income from continuing operations in the six months ended April 30, 2011 was higher than in the six months ended May 1, 2010 by approximately \$170.7 million primarily as a result of the \$194.7 million increase in operating income from continuing operations, offset by a higher provision for income taxes in the six months ended April 30, 2011 than in the six months ended May 1, 2010.

*Discontinued Operations*

|   | <b>Six Months Ended</b>   |                        |
|---|---------------------------|------------------------|
|   | <b>April 30,<br/>2011</b> | <b>May 1,<br/>2010</b> |
| Gain on sale of discontinued operations, net of tax | \$6,500                   | \$ 859                 |
| Diluted EPS from discontinued operations            | \$ 0.02                   | \$ 0.00                |

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.

*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.

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We are planning for revenue in the third quarter of fiscal 2011 to be in the range of \$765 million to \$795 million. Our plan is for gross margin for the third quarter of fiscal 2011 to be approximately 67.0% to 68.0% and for operating expenses to be approximately flat to down 1% from the second quarter of fiscal 2011. As a result, we are planning for diluted earnings per share from continuing operations to be in the range of \$0.70 to \$0.75 in the third quarter of fiscal 2011.

**Liquidity and Capital Resources**

|   | <b>Six Months Ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>April 30,</b>        | <b>May 1, 2010</b> |
|   | <b>2011</b>             | <b>2010</b>        |
| Net cash provided by operations                   | \$413,389               | \$492,093          |
| Net cash provided by operations as a % of revenue | 27.2%                   | 38.7%              |

At April 30, 2011, cash, cash equivalents and short-term investments totaled \$3,431.4 million. The primary sources of funds for the first six months of fiscal 2011 were net cash generated from operating activities of \$413.4 million, proceeds of \$515.5 million relating to the issuance of \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 and the \$145 million term loan facility we entered into through a wholly owned subsidiary. In addition we received \$148.1 million in net proceeds from employee stock option exercises. The principal uses of funds for the first six months of fiscal 2011 were the repurchase of approximately 4.8 million shares of our common stock for an aggregate of \$181.2 million, dividend payments of \$131.8 million from a quarterly dividend of \$0.22 per share and capital expenditures of \$59.7 million. These factors contributed to the net increase in cash and cash equivalents of \$824.8 million in the first six months of fiscal 2011.

|                                 | <b>April 30,</b> | <b>October 30,</b> |
|---------------------------------|------------------|--------------------|
|                                 | <b>2011</b>      | <b>2010</b>        |
| Accounts receivable             | \$414,579        | \$ 387,169         |
| Days sales outstanding          | 48               | 46                 |
| Inventory                       | \$293,780        | \$ 277,478         |
| Days cost of sales in inventory | 104              | 100                |

Accounts receivable at April 30, 2011 increased \$27.4 million, or 7%, from the end of the fourth quarter of fiscal 2010. The increase in receivables was primarily the result of higher revenue in the second quarter of fiscal 2011 as compared to the fourth quarter of fiscal 2010. Days sales outstanding increased by two days as a result of higher product shipments in the final month of the second quarter of fiscal 2011 as compared to the final month of the fourth quarter of fiscal 2010.

Inventory at April 30, 2011 increased by \$16.3 million, or 6%, from the end of the fourth quarter of fiscal 2010. The increase in inventory relates primarily to an increase in manufacturing production to support the higher revenue levels recorded in the first six months of fiscal 2011. Days cost of sales in inventory increased four days primarily due to lower manufacturing costs which resulted in cost of sales increasing only 1% as compared to a 6% increase in inventory.

Current liabilities decreased to \$588.2 million at April 30, 2011, a decrease of \$55.3 million, or 9%, from \$643.5 million at the end of fiscal 2010. This decrease was primarily due to a decrease in income tax payable as a result of the settlement with the Appellate Division of the Internal Revenue Service of certain tax matters for the fiscal 2004 through fiscal 2007 tax years. In addition accrued liabilities declined as a result of a decrease in variable compensation expense. These decreases were partially offset by an increase in the current portion of our long-term debt in relation to the term loan facility entered into in December 2010 through our wholly owned subsidiary and an increase in deferred income on shipments to distributors, net, more fully described below.

As of April 30, 2011 and October 30, 2010, gross deferred revenue was \$357.1 million and \$327.2 million, respectively, and gross deferred cost of sales was \$87.6 million and \$84.4 million, respectively. Deferred income on shipments to distributors increased by approximately \$26.7 million in the first six months of fiscal 2011 primarily as a

result of our shipments to our distributors in the first six months of fiscal 2011 exceeding the distributors' sales to their customers during this same time period. Sales to distributors are made under agreements that allow distributors to receive price-adjustment credits and to return qualifying products for credit, as determined by us, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. Given the uncertainties associated with the levels of price-adjustment credits to be granted to

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distributors, the sales price to the distributors is not fixed or determinable until the distributors resell the products to their customers. Therefore, we defer revenue recognition from sales to distributors until the distributors have sold the products to their customers. The amount of price-adjustments is dependent on future overall market conditions, and therefore the levels of these adjustments could fluctuate significantly from period to period. To the extent that we experience a significant increase in the amount of credits we issue to our distributors, there could be a material impact on the ultimate revenue and gross margin recognized relating to these transactions.

Net additions to property, plant and equipment were \$59.7 million in the first six months of fiscal 2011 and were funded with a combination of cash on hand and cash generated from operations. We expect capital expenditures to be approximately \$135 million in fiscal 2011 for general purposes.

On May 16, 2011, our Board of Directors declared a cash dividend of \$0.25 per outstanding share of common stock. The dividend will be paid on June 15, 2011 to all shareholders of record at the close of business on May 27, 2011 and is expected to total approximately \$75 million. We currently expect quarterly dividends to continue at \$0.25 per share, although they remain subject to determination and declaration 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.

Our common stock repurchase program has been in place since August 2004. On November 19, 2010, 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 \$5 billion. Under the program, we may repurchase outstanding shares of our common stock from time to time in the open 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 under the program. As of April 30, 2011, we had repurchased a total of approximately 120.8 million shares of our common stock for approximately \$4,129.4 million under this program. As of April 30, 2011, an additional \$870.6 million worth of shares remains available for repurchase under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. Any future common stock repurchases will be dependent upon several factors, including the amount of cash available to us in the United States, and our financial performance, outlook and liquidity. We also from time to time repurchase shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock units or the exercise of stock options, or in certain limited circumstances to satisfy the exercise price of options granted to our employees under our equity compensation plans.

On June 30, 2009, we issued \$375 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014 (the 5.0% Notes) with annual interest payments of 5.0% paid in two installments on January 1 and July 1 of each year, commencing January 1, 2010. The net proceeds of the offering were \$370.4 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which will be amortized over the term of the 5.0% Notes. We swapped the fixed interest portion of these Notes for a variable interest rate based on the three-month LIBOR plus 2.05% (2.35% as of April 30, 2011). The variable interest payments based on the variable annual rate are payable quarterly. The LIBOR based rate is set quarterly three months prior to the date of the interest payment. The indenture governing the 5.0% Notes contains covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to any other party.

On December 22, 2010, Analog Devices Holdings B.V. a wholly owned subsidiary of ours, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent. The borrower's obligations are guaranteed by us. The credit agreement provides for a term loan facility of \$145 million, which matures on December 22, 2013. The terms of the agreement provide for a three-year principal amortization schedule with \$3.6 million payable quarterly every March, June, September and December with the balance payable upon the maturity date. The loan will bear interest at a fluctuating rate for each period equal to the annual LIBOR rate applicable to that interest period plus 1.25% (1.56% as of April 30, 2011). The terms of this facility include limitations on subsidiary indebtedness and on liens against our assets and the assets of our subsidiaries, and also include financial covenants that require us to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio. The proceeds of this loan are being used to restructure our captive finance subsidiaries.

On April 4, 2011, we issued \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 (the 3.0% Notes) with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. The indenture governing the 3.0% Notes contains covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party. In addition, we have a five-year \$165 million unsecured revolving credit facility that expires in May 2013.

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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.

At April 30, 2011, our principal source of liquidity was \$3,431.4 million of cash and cash equivalents and short-term investments of which approximately \$1,246.5 million was 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.

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 repurchases of our stock (if any) under our stock repurchase program in the immediate future and for at least the next twelve months.

**Contractual Obligations**

On December 22, 2010, Analog Devices Holdings B.V. a wholly owned subsidiary of ours, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent. The borrower's obligations are guaranteed by us. The credit agreement provides for a term loan facility of \$145 million, which matures on December 22, 2013. The terms of the agreement provide for a three-year principal amortization schedule with \$3.6 million payable quarterly every March, June, September and December with the balance payable upon the maturity date. The loan will bear interest at a fluctuating rate for each period equal to the annual LIBOR rate applicable to that interest period plus 1.25% (1.56% as of April 30, 2011). The terms of this facility include limitations on subsidiary indebtedness and on liens against our assets and the assets of our subsidiaries, and also include financial covenants that require us to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio. As of April 30, 2011, we were compliant with these covenants. As of April 30, 2011, \$14.5 million of this debt was classified as short-term.

On April 4, 2011, we issued \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011. The indenture governing the 3.0% Notes contains covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party. As of April 30, 2011, we were compliant with these covenants.

Assuming the current three-month LIBOR remains the same for the duration of the agreement and assuming the debt obligations are held to maturity, the following amounts will be due under the credit agreement and were not previously reflected in 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 October 30, 2010:

| (in thousands)   | Total      | Less      | Payment due by period |            | More    |
|--|------------|-----------|-----------------------|------------|---------|
|  |            | than      | 1-3                   | 4-5        | than    |
|  |            | 1 Year    | Years                 | Years      | 5 Years |
| Long-term debt obligations                                   | \$ 516,375 | \$ 14,500 | \$ 126,875            | \$ 375,000 | \$      |
| Interest payments associated with long-term debt obligations | 61,964     | 13,749    | 36,965                | 11,250     |         |
| Total  | \$ 578,339 | \$ 28,249 | \$ 163,840            | \$ 386,250 | \$      |



There have not been any other material changes during the first six months of fiscal 2011 to the amounts presented in the table summarizing our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended October 30, 2010.

**Table of Contents****New Accounting Pronouncements***Multiple-Deliverable Revenue Arrangements*

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2009-13 *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (formerly EITF Issue No. 08-1) (ASU No. 2009-13). This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple-deliverable revenue arrangements. ASU No. 2009-13 is effective for fiscal years that begin on or after June 15, 2010, which is our fiscal year 2011. The adoption of ASU 2009-13 in the first quarter of fiscal 2011 did not have a material impact on our financial condition and results of operations.

*Business Combinations*

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations (ASC Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU No. 2010-29). ASU No. 2010-29 requires a public entity to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the prior year. It also requires a description of the nature and amount of material, nonrecurring adjustments directly attributable to the business combination included in the reported revenue and earnings. The new disclosure will be effective for our first quarter of fiscal year 2012. The adoption of ASU No. 2010-29 will require additional disclosure in the event of a business combination but will not have a material impact on our financial condition and results of operations.

*Intangibles - Goodwill and Other*

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles- Goodwill and Other (ASC Topic 350)* (ASU No. 2010-28). ASU No. 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years that begin after December 15, 2010, which is our fiscal year 2012. We are currently evaluating the impact, if any, that ASU No. 2010-28 may have on our financial condition and results of operations.

**Critical Accounting Policies and Estimates**

There were no material changes in the first six months of fiscal 2011 to the information provided under the heading Critical Accounting Policies and Estimates included in our Annual Report on Form 10-K for the fiscal year ended October 30, 2010.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk***Interest Rate Exposure*

On December 22, 2010, Analog Devices Holdings B.V. a wholly owned subsidiary of ours, entered into a credit agreement with Bank of America, N.A., London Branch as administrative agent for purposes other than trading purposes. The borrower's obligations are guaranteed by us. The credit agreement provides for a term loan facility of \$145 million, which matures on December 22, 2013. The loan will bear interest at a fluctuating rate for each period equal to the annual LIBOR rate applicable to that interest period plus 1.25% (1.56% as of April 30, 2011). On April 4, 2011, we issued for purposes other than trading purposes \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016 with semi-annual fixed interest payments due on April 15 and October 15 of each year, commencing October 15, 2011.

If LIBOR changes by 100 basis points, our annual interest expense would change by approximately an additional \$1.1 million from the amount set forth 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 October 30, 2010.

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There have been no other material changes in the first six months of fiscal 2011 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 October 30, 2010.

**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 April 30, 2011. 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 April 30, 2011, 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 April 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**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 October 30, 2010 and Part II, Item 1A Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended January 29, 2011.

*Disruptions in global credit and financial markets could materially and adversely affect our business and results of operations.*

Global credit and financial markets appear to be recovering from extreme disruptions experienced over the past two years. However, uncertainty about continuing economic stability remains. 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. High unemployment rates, continued weakness in commercial and residential real estate 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, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. Renewed financial turmoil may cause financial institutions to consolidate or go out of business, which increases the risk that the actual amounts realized in the future on our financial instruments could differ significantly from the fair value assigned to them. During the global financial crisis, many governments adopted stimulus or spending programs designed to ease the economic impact of the crisis. Some of our businesses benefited from these stimulus programs and as these programs conclude, those businesses could be negatively impacted. The continuing debt crisis in certain European countries could cause the value of the Euro to deteriorate, thus reducing the purchasing power of our European customers. In addition, the continuing European debt crisis and related financial restructuring efforts has contributed to the instability in global credit markets. We are unable to predict the impact of these events on the apparent economic recovery, and if economic conditions deteriorate

again, 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.

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*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;

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;

the ability of our third party suppliers, subcontractors and manufacturers to supply us with sufficient quantities of products or components;

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;

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, widespread travel disruptions, 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: increases in tax rates in various jurisdictions; 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.

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*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 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, including from companies located outside the United States. Many other companies offer products that compete with our products. Some have (or as a result of consolidation within the industry may have) greater financial, manufacturing, technical, sales 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 suppliers, subcontractors and manufacturers for some industry-standard wafers, manufacturing processes and assembly and test services, and generally cannot control their availability or conditions of supply.*

We rely, and plan to continue to rely, on suppliers, assembly and test subcontractors, and 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, and costs. Additionally, we utilize a limited number of third-party wafer fabricators, primarily Taiwan Semiconductor Manufacturing Company, or TSMC. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. In certain instances, the third party supplier is the sole source of highly specialized processing services. If our suppliers are unable or unwilling to manufacture and deliver



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components to us on the time schedule and of the quality or quantity that we require or provide us with required manufacturing processes, 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. If replacement suppliers or manufacturing processes are not available, we may also experience delays in product development or shipment which could, in turn, result in the temporary or permanent loss of customers. A significant portion of our revenue for the first six months of fiscal 2011 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 inventory in a period of decreased demand, 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 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. 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 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. 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. 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

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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 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.

*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, products 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 and mask works 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.

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.

*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. Both in the U.S. and abroad, governmental regulation of acquisitions has become more complex, increasing the costs and risks of undertaking significant acquisitions. 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.

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;

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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. For example, in March 2011, a severe earthquake and tsunami hit Japan, which together with resulting damage to certain nuclear power plants, has resulted in widespread destruction and economic uncertainty in that region. Japan represented approximately 13% of our revenue in the first six months of fiscal 2011. Based on discussions with our customers and supply chain and foundry partners, we do not currently expect a material adverse effect to our results of operations as a result of this disaster. However, we are continuing to monitor the impact of the crisis on our customers and supply chain and there can be no assurance that, once the full impact of the disaster has been absorbed, our results of operations will not be materially affected by the events in Japan. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third-party wafer fabrication foundries, as a result of fire, natural disaster, unavailability of utilities or otherwise, could result in a temporary or permanent loss of customers for affected products, which could 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 2011, we derived approximately 82% of our revenue 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. At April 30, 2011, our principal source of liquidity was \$3,431.4 million of cash and cash equivalents and short-term investments. As of April 30, 2011, approximately \$1,246.5 million of our cash and cash equivalents and short-term investments was held in the United States and the balance 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. 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, 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 recent 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 global 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, competition practices, intellectual property, anti-corruption 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, anti-corruption, and intellectual property rights and enforcement of

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those rights. Enforcement of existing laws or agreements may be inconsistent. 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 they could 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 health and safety (EHS) regulations, which could increase our expenses and affect our operating results.*

Our industry is subject to increasingly strict EHS requirements, particularly those environmental requirements that control and restrict the use, transportation, emission, discharge, storage and disposal of certain chemicals used or produced in the semiconductor manufacturing process. Public attention to environmental concerns continues to increase, and our customers routinely include stringent environmental standards in their contracts with us. Changes in environmental laws or regulations may require us to invest in costly 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 potential or actual releases of such materials. Any failure to control such materials adequately or to comply with statutory or regulatory standards or contractual obligations could result in liability for damages, penalties, and civil and criminal fines, and might damage our reputation, increase our expenses, and adversely affect our operating results.

New climate change laws and 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 emissions of carbon dioxide or other greenhouse gases could result in significant costs for us. The Commonwealth of Massachusetts has adopted greenhouse gas regulations, and the U.S. Congress may pass federal greenhouse gas legislation in the future. The U.S. Environmental Protection Agency (EPA) has issued greenhouse gas reporting regulations that may apply to certain of our operations. EPA is developing other climate change-based regulations, as are certain states, that also may increase our expenses and adversely affect our operating results. We expect increased worldwide regulatory activity relating to climate change in the future. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, financial condition or competitive position. There is no assurance that the cost to comply with current or future EHS laws and regulations will not exceed our estimates or adversely affect our financial condition or results of operations. Additionally, any failure by us to comply with applicable EHS requirements or contractual obligations could result in penalties, civil and criminal fines, suspension of or changes to production, legal liability and damage to our reputation.

*If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our two series of \$375 million senior unsecured notes or our \$145 million term loan facility.*

In fiscal 2009, we issued in a public offering \$375 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014. In April 2011, we issued in a public offering \$375 million aggregate principal amount of 3.0% senior unsecured notes due April 15, 2016. In December 2010, we entered into a \$145 million term loan facility which matures on December 22, 2013. Our ability to make payments of principal and interest on our indebtedness when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things:

seek additional financing in the debt or equity markets;

refinance or restructure all or a portion of our indebtedness, including the notes;

sell selected assets;

reduce or delay planned capital expenditures; or

reduce or delay planned operating expenditures.



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Such measures might not be sufficient to enable us to service our debt, including the notes or our term loan facility, which could negatively impact our financial results. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

*Restrictions in our credit facility and outstanding debt instruments may limit our activities.*

Our current credit and term loan facilities and our 5.0% and 3.0% senior unsecured notes impose, and future debt instruments to which we may become subject may impose, restrictions that limit our ability to engage in activities that could otherwise benefit our company, including to undertake certain transactions, to create certain liens on our assets and to incur certain subsidiary indebtedness. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition. In addition, our credit and term loan facilities require us to maintain compliance with specified financial ratios. If we breach any of the covenants under our credit or term loan facilities or the indenture governing our outstanding notes and do not obtain appropriate waivers, then, subject to applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable.

*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:

crises in global credit, debt 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**

| Total Number<br>of | Total Number of<br>Shares<br>Purchased as<br>Part of Publicly | Approximate<br>Dollar<br>Value of Shares<br>that<br>May Yet Be<br>Purchased Under<br>the Plans or |
|--------------------|---|---|
|--------------------|---|---|

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| Period  | Shares<br>Purchased<br>(a) | Average<br>Price<br>Paid Per<br>Share (b) | Announced<br>Plans or<br>Programs (c) | Programs       |
|---|----------------------------|---|---------------------------------------|----------------|
| January 30, 2011 through February 26,<br>2011 | 729,609                    | \$ 40.11                                  | 727,196                               | \$ 908,998,261 |
| February 27, 2011 through March 26,<br>2011   | 347,192                    | \$ 39.13                                  | 346,884                               | \$ 895,423,733 |
| March 27, 2011 through April 30, 2011         | 640,503                    | \$ 38.74                                  | 640,503                               | \$ 870,609,793 |
| Total   | 1,717,304                  | \$ 39.40                                  | 1,714,583                             | \$ 870,609,793 |

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- (a) Includes 2,721 shares paid to us by employees to satisfy employee tax obligations upon vesting of restricted stock units granted to our employees under our equity compensation plans.
- (b) The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to the brokers.
- (c) Shares repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. On November 19, 2010, 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 \$5 billion. Under the repurchase program, we may repurchase outstanding shares of our common stock from time to time in the open 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 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.

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**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 17, 2011

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

Date: May 17, 2011

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

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**Table of Contents****Exhibit Index****Exhibit No. Description**

|         |   |
|---------|---|
| 1.1     | Underwriting Agreement among Analog Devices and Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, dated March 30, 2011, filed as exhibit 1.1 to the Company's Current Report on Form 8-K (File No. 1-7819) on March 31, 2011 and incorporated herein by reference. |
| 4.1     | Supplemental Indenture, between Analog Devices and The Bank of New York Mellon Trust Company, N.A., dated April 4, 2011, filed as exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 1-7819) on April 4, 2011 and incorporated herein by reference.  |
| 4.2     | Form of 3.00% Global Note due April 15, 2016, filed as exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 1-7819) on April 4, 2011 and incorporated herein by reference.   |
| 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).   |
| 101.INS | XBRL Instance Document.   |
| 101.SCH | XBRL Schema Document.   |
| 101.CAL | XBRL Calculation Linkbase Document.   |
| 101.LAB | XBRL Labels Linkbase Document.  |
| 101.PRE | XBRL Presentation Linkbase Document.  |
| 101.DEF | XBRL Definition Linkbase Document.  |

Filed or furnished herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three months ended April 30, 2011 and May 1, 2010 and for the six months ended April 30, 2011 and May 1, 2010, (ii) Condensed Consolidated Balance Sheets at April 30, 2011 and October 30, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 2011 and May 1, 2010 and (iv) Notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

