

ANALOG DEVICES INC  
Form 10-Q  
February 18, 2009

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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 January 31, 2009**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 1-7819**

**Analog Devices, Inc.**

*(Exact name of registrant as specified in its charter)*

**Massachusetts**

*(State or other jurisdiction of  
incorporation or organization)*

**04-2348234**

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

**One Technology Way, Norwood, MA**

*(Address of principal executive offices)*

**02062-9106**

*(Zip Code)*

**(781) 329-4700**

*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant 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<br>accelerated filer <input checked="" type="checkbox"/> | Accelerated filer<br><input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
|----------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|----------------------------------------------------|

(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 January 31, 2009 there were 291,228,618 shares of Common Stock, \$0.16 2/3 par value per share, outstanding.

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ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(thousands, except per share amounts)

|                                                       | Three Months Ended  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | January<br>31, 2009 | February 2,<br>2008 |
| Revenue                                               | \$ 476,569          | \$ 613,909          |
| Cost of sales (1)                                     | 207,567             | 238,106             |
| Gross margin                                          | 269,002             | 375,803             |
| Operating expenses:                                   |                     |                     |
| Research and development (1)                          | 119,828             | 129,539             |
| Selling, marketing, general and administrative (1)    | 87,846              | 100,351             |
| Special charges                                       | 41,737              |                     |
|                                                       | 249,411             | 229,890             |
| Operating income                                      | 19,591              | 145,913             |
| Nonoperating (income) expense:                        |                     |                     |
| Interest income                                       | (7,796)             | (12,526)            |
| Other, net                                            | (571)               | 173                 |
|                                                       | (8,367)             | (12,353)            |
| Income from continuing operations before income taxes | 27,958              | 158,266             |
| Provision for income taxes                            | 3,373               | 36,418              |
| Income from continuing operations, net of tax         | 24,585              | 121,848             |
| Discontinued operations, net of tax:                  |                     |                     |
| Income from discontinued operations                   | 364                 | 1,888               |
| Gain on sale of discontinued operations               |                     | 246,983             |
| Total income from discontinued operations, net of tax | 364                 | 248,871             |
| Net income                                            | \$ 24,949           | \$ 370,719          |
| Shares used to compute earnings per share basic       | 291,187             | 299,141             |
| Shares used to compute earnings per share diluted     | 291,248             | 304,260             |

|                                                       |         |         |
|-------------------------------------------------------|---------|---------|
| Basic earnings per share from continuing operations   | \$ 0.08 | \$ 0.41 |
| Basic earnings per share                              | \$ 0.09 | \$ 1.24 |
| Diluted earnings per share from continuing operations | \$ 0.08 | \$ 0.40 |
| Diluted earnings per share                            | \$ 0.09 | \$ 1.22 |
| Dividends declared and paid per share                 | \$ 0.20 | \$ 0.18 |

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

|                                                |          |          |
|------------------------------------------------|----------|----------|
| Cost of sales                                  | \$ 1,580 | \$ 1,953 |
| Research and development                       | \$ 5,321 | \$ 5,524 |
| Selling, marketing, general and administrative | \$ 4,510 | \$ 5,415 |
| See accompanying notes.                        |          |          |

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

|                                                | January 31,<br>2009 | November 1,<br>2008 |
|------------------------------------------------|---------------------|---------------------|
| Assets                                         |                     |                     |
| Cash and cash equivalents                      | \$ 769,713          | \$ 593,599          |
| Short-term investments                         | 513,418             | 716,087             |
| Accounts receivable, net                       | 235,352             | 315,290             |
| Inventory (1):                                 |                     |                     |
| Raw materials                                  | 15,494              | 15,350              |
| Work in process                                | 213,648             | 200,436             |
| Finished goods                                 | 91,825              | 98,843              |
|                                                | 320,967             | 314,629             |
| Deferred tax assets                            | 91,676              | 102,676             |
| Deferred compensation plan investments         | 8,493               | 942                 |
| Prepaid expenses and other current assets      | 34,723              | 40,460              |
| Current assets of discontinued operations      |                     | 5,894               |
| Total current assets                           | 1,974,342           | 2,089,577           |
| Property, plant and equipment, at cost:        |                     |                     |
| Land and buildings                             | 382,821             | 378,187             |
| Machinery and equipment                        | 1,523,092           | 1,512,984           |
| Office equipment                               | 63,380              | 63,071              |
| Leasehold improvements                         | 66,499              | 65,247              |
|                                                | 2,035,792           | 2,019,489           |
| Less accumulated depreciation and amortization | 1,498,594           | 1,452,050           |
| Net property, plant and equipment              | 537,198             | 567,439             |
| Deferred compensation plan investments         | 6,817               | 31,099              |
| Other investments                              | 761                 | 955                 |
| Goodwill                                       | 233,454             | 235,175             |
| Intangible assets, net                         | 11,258              | 12,300              |
| Deferred tax assets                            | 65,713              | 65,949              |
| Other assets                                   | 27,610              | 26,461              |
| Non-current assets of discontinued operations  | 62,037              | 62,037              |
| Total other assets                             | 407,650             | 433,976             |
|                                                | \$ 2,919,190        | \$ 3,090,992        |

- (1) Includes \$2,390 and \$2,632 related to stock-based compensation at January 31, 2009 and November 1, 2008, respectively.  
See accompanying notes.

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

(Unaudited)

(thousands, except share amounts)

|                                                                                                                                                  | January 31,<br>2009 | November 1,<br>2008 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Liabilities and Shareholders' Equity                                                                                                             |                     |                     |
| Accounts payable                                                                                                                                 | \$ 82,601           | \$ 130,451          |
| Deferred income on shipments to distributors, net                                                                                                | 151,147             | 175,358             |
| Income taxes payable                                                                                                                             | 37,616              | 52,546              |
| Deferred compensation plan liability                                                                                                             | 8,493               | 942                 |
| Accrued liabilities                                                                                                                              | 153,721             | 191,307             |
| Current liabilities of discontinued operations                                                                                                   | 6,676               | 18,454              |
| Total current liabilities                                                                                                                        | 440,254             | 569,058             |
| Deferred income taxes                                                                                                                            | 11,134              | 14,310              |
| Deferred compensation plan liability                                                                                                             | 6,934               | 31,800              |
| Other non-current liabilities                                                                                                                    | 58,803              | 55,561              |
| Total non-current liabilities                                                                                                                    | 76,871              | 101,671             |
| Commitments and contingencies                                                                                                                    |                     |                     |
| Shareholders' Equity                                                                                                                             |                     |                     |
| Preferred stock, \$1.00 par value, 471,934 shares authorized, none outstanding                                                                   |                     |                     |
| Common stock, \$0.16 2/3 par value, 1,200,000,000 shares authorized, 291,228,618 shares issued and outstanding (291,193,451 on November 1, 2008) | 48,539              | 48,533              |
| Capital in excess of par value                                                                                                                   |                     |                     |
| Retained earnings                                                                                                                                | 2,397,779           | 2,419,908           |
| Accumulated other comprehensive loss                                                                                                             | (44,253)            | (48,178)            |
| Total shareholders' equity                                                                                                                       | 2,402,065           | 2,420,263           |
|                                                                                                                                                  | \$ 2,919,190        | \$ 3,090,992        |

See accompanying notes.

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

|                                                                         | Three Months Ended  |                     |
|-------------------------------------------------------------------------|---------------------|---------------------|
|                                                                         | January<br>31, 2009 | February 2,<br>2008 |
| Cash flows from operating activities:                                   |                     |                     |
| Net income                                                              | \$ 24,949           | \$ 370,719          |
| Adjustments to reconcile net income to net cash provided by operations: |                     |                     |
| Depreciation                                                            | 38,755              | 35,551              |
| Amortization of intangibles                                             | 1,957               | 2,423               |
| Stock-based compensation expense                                        | 11,411              | 10,595              |
| Gain on sale of business                                                |                     | (246,983)           |
| Deferred income taxes                                                   | (15,925)            | 18                  |
| Excess tax benefit-stock options                                        |                     | (6,710)             |
| Non-cash portion of special charge                                      | 13,693              |                     |
| Other non-cash activity                                                 | 207                 | (73)                |
| Changes in operating assets and liabilities                             | (15,137)            | 11,880              |
| Total adjustments                                                       | 34,961              | (193,299)           |
| Net cash provided by operating activities                               | 59,910              | 177,420             |
| Cash flows from investing activities:                                   |                     |                     |
| Purchases of short-term available-for-sale investments                  | (263,906)           | (351,221)           |
| Maturities of short-term available-for-sale investments                 | 464,197             | 371,396             |
| Net proceeds from sales of businesses (See Note 13)                     |                     | 406,665             |
| Additions to property, plant and equipment                              | (22,235)            | (40,115)            |
| (Increase) decrease in other assets                                     | (2,063)             | 2,795               |
| Net cash provided by investing activities                               | 175,993             | 389,520             |
| Cash flows from financing activities:                                   |                     |                     |
| Repurchase of common stock                                              | (489)               | (359,376)           |
| Increase in liability from common stock repurchases                     |                     | 24,879              |
| Net proceeds from employee stock plans                                  | 768                 | 24,497              |
| Excess tax benefit-stock options                                        |                     | 6,710               |
| Dividend payments to shareholders                                       | (58,238)            | (53,836)            |
| Net cash used for financing activities                                  | (57,959)            | (357,126)           |
| Effect of exchange rate changes on cash                                 | (1,830)             | (1,697)             |
| Net increase in cash and cash equivalents                               | 176,114             | 208,117             |

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|                                                  |            |    |         |
|--------------------------------------------------|------------|----|---------|
| Cash and cash equivalents at beginning of period | 593,599    |    | 424,972 |
| Cash and cash equivalents at end of period       | \$ 769,713 | \$ | 633,089 |

See accompanying notes.

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ANALOG DEVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2009

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

**Note 1 Basis of Presentation**

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

The Company sold its baseband chipset business and related support operations (Baseband Chipset Business) to MediaTek Inc. and sold its CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation during the first quarter of fiscal 2008. The Company has reflected the financial results of these businesses as discontinued operations in the consolidated statements of income for all periods presented. The assets and liabilities of these businesses are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of January 31, 2009 and November 1, 2008.

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

**Note 2 Revenue Recognition**

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

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

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

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

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

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



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

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

As of January 31, 2009 and November 1, 2008, the Company had gross deferred revenue of \$243.5 million and \$279.3 million, respectively, and gross deferred cost of sales of \$92.4 million and \$103.9 million, respectively.

Deferred income on shipments to distributors as of January 31, 2009 was lower than the amount as of November 1, 2008 by \$24.2 million, as a result of the distributor's sales to their customers in the first quarter of fiscal 2009 exceeding the Company's shipments to its distributors during this same time period.

Shipping costs are charged to cost of sales as incurred.

The Company generally offers a 12-month warranty for its products. The Company's warranty policy provides for replacement of the defective product. Specific accruals are recorded for known product warranty issues. Product warranty expenses during either of the three-month periods ended January 31, 2009 and February 2, 2008 were not material.

**Note 3 Stock-Based Compensation**

*Grant-Date Fair Value* The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. Information pertaining to the Company's stock option awards and the related estimated weighted-average assumptions to calculate the fair value of stock options granted during the three-month periods ended January 31, 2009 and February 2, 2008 is as follows:

|                                                  | <b>Three Months Ended</b>   |                             |
|--------------------------------------------------|-----------------------------|-----------------------------|
|                                                  | <b>January<br/>31, 2009</b> | <b>February 2,<br/>2008</b> |
| <b>Stock Options</b>                             |                             |                             |
| Options granted (in thousands)                   | 5,420                       | 5,550                       |
| Weighted-average exercise price per share        | \$19.56                     | \$ 29.90                    |
| Weighted-average grant-date fair value per share | \$ 7.47                     | \$ 7.91                     |
| Assumptions:                                     |                             |                             |
| Weighted-average expected volatility             | 59.5%                       | 32.2%                       |
| Weighted-average expected term (in years)        | 5.3                         | 5.1                         |
| Risk-free interest rate                          | 1.7%                        | 3.3%                        |
| Expected dividend yield                          | 4.1%                        | 2.4%                        |

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

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

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

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

*Stock-Based Compensation Expense*

The amount of stock-based compensation expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment*, (SFAS 123R), requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from cancellations or expirations and represents only the unvested portion of the surrendered stock-based award. Based on an analysis of its historical forfeitures, the Company has applied an annual forfeiture rate of 4.3% to all unvested stock-based awards as of January 31, 2009. The rate of 4.3% represents the portion that is expected to be forfeited each year over the vesting period. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

*Stock-Based Compensation Activity*

A summary of the activity under the Company's stock option plans as of January 31, 2009 and changes during the three-month period then ended is presented below:

|                                                                   | Options     | Weighted-Average | Weighted-Average |           |
|-------------------------------------------------------------------|-------------|------------------|------------------|-----------|
|                                                                   | Outstanding | Exercise         | Remaining        | Aggregate |
|                                                                   | (in         | Price Per        | Contractual      | Intrinsic |
|                                                                   | thousands)  | Share            | Term in          | Value     |
| Activity during the Three Months Ended January 31, 2009           |             |                  | Years            |           |
| <b>Options outstanding at November 1, 2008</b>                    | 70,340      | \$ 36.63         |                  |           |
| Options granted                                                   | 5,420       | \$ 19.56         |                  |           |
| Options exercised                                                 | (43)        | \$ 18.84         |                  |           |
| Options forfeited                                                 | (484)       | \$ 34.90         |                  |           |
| Options expired                                                   | (640)       | \$ 39.63         |                  |           |
| <b>Options outstanding at January 31, 2009</b>                    | 74,593      | \$ 35.39         | 5.0              | \$3,968   |
| <b>Options exercisable at January 31, 2009</b>                    | 55,634      | \$ 37.27         | 3.9              | \$1,245   |
| <b>Options vested or expected to vest at January 31, 2009 (1)</b> | 73,006      | \$ 35.54         | 4.9              | \$4,340   |

- (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.

During the three months ended January 31, 2009 and February 2, 2008, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$0.1 million and \$55.6 million, respectively and the total amount of proceeds received from exercise of these options was \$1 million and 30.8 million, respectively. Proceeds from stock option exercises pursuant to employee stock plans in the Company's statement of cash flows during the three months ended January 31, 2009 and February 2, 2008 of \$0.8 million and \$24.5 million, respectively, is net of the value of shares surrendered by employees to satisfy employee tax obligations upon vesting of restricted stock or restricted stock units and in connection with the exercise of stock options granted to the Company's employees under the Company's equity compensation plans. The withholding amount is based on the Company's minimum statutory withholding requirement pursuant to SFAS 123R. The total grant-date fair value of stock options that vested during the three months ended January 31, 2009 and February 2, 2008 was approximately \$70.5 million and \$74.3 million, respectively.

A summary of the Company's restricted stock and restricted stock unit award activity as of January 31, 2009 and changes during the three-month period then ended is presented below:

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|                                                                | <b>Restricted<br/>Shares<br/>and/ or<br/>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 January 31, 2009</b> |                                                                                           |                                                                              |
| <b>Non-vested shares outstanding at November 1, 2008</b>       | 92                                                                                        | \$ 31.80                                                                     |
| Awards and/or units granted                                    | 38                                                                                        | \$ 18.94                                                                     |
| Restrictions lapsed                                            | (4)                                                                                       | \$ 32.86                                                                     |
| Forfeited                                                      | (3)                                                                                       | \$ 36.55                                                                     |
| <b>Non-vested shares outstanding at January 31, 2009</b>       | 123                                                                                       | \$ 27.65                                                                     |

As of January 31, 2009, there was \$142.1 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 1.9 years.

**Note 4 Comprehensive Income**

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

|                                                                                                                                                | <b>Three Months Ended</b>       |                             |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
|                                                                                                                                                | <b>January<br/>31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Income from continuing operations, net of tax                                                                                                  | \$ 24,585                       | \$ 121,848                  |
| Foreign currency translation adjustments                                                                                                       | (1,372)                         | (3,596)                     |
| Change in unrealized holding (losses) gains (net of taxes of \$296 and \$374, respectively) on securities classified as short-term investments | (2,082)                         | 2,243                       |
| Change in unrealized holding losses (net of taxes of \$88 and \$27, respectively) on securities classified as other investments                | (163)                           | (50)                        |
| Change in unrealized gains (losses) (net of taxes of \$1,042 and \$196, respectively) on derivative instruments designated as cash flow hedges | 8,221                           | (1,289)                     |
| Pension plans                                                                                                                                  |                                 |                             |
| Prior service cost                                                                                                                             | 1                               |                             |
| Transition (obligation) asset                                                                                                                  | (4)                             | 1                           |
| Net actuarial (loss) gain                                                                                                                      | (676)                           | 241                         |
| Other comprehensive income (loss)                                                                                                              | 3,925                           | (2,450)                     |

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|                                                 |           |            |
|-------------------------------------------------|-----------|------------|
| Comprehensive income from continuing operations | 28,510    | 119,398    |
| Income from discontinued operations, net of tax | 364       | 248,871    |
| Comprehensive income                            | \$ 28,874 | \$ 368,269 |

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The components of accumulated other comprehensive income at January 31, 2009 and November 1, 2008 consisted of the following:

|                                                   | January 31,<br>2009 | November 1,<br>2008 |
|---------------------------------------------------|---------------------|---------------------|
| Foreign currency translation adjustment           | \$ (23,688)         | \$ (22,316)         |
| Unrealized gains on available-for-sale securities | 201                 | 2,446               |
| Unrealized losses on derivative instruments       | (12,042)            | (20,263)            |
| Pension plans                                     |                     |                     |
| Prior service cost                                | (4)                 | (5)                 |
| Transition obligation                             | (19)                | (15)                |
| Net actuarial loss                                | (8,701)             | (8,025)             |
| Total accumulated other comprehensive loss        | \$ (44,253)         | \$ (48,178)         |

**Note 5 Earnings Per Share**

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

|                                                       | Three Months Ended  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | January<br>31, 2009 | February 2,<br>2008 |
| Income from continuing operations, net of tax         | \$ 24,585           | \$ 121,848          |
| Total income from discontinued operations, net of tax | 364                 | 248,871             |
| Net income                                            | \$ 24,949           | \$ 370,719          |
| Basic shares:                                         |                     |                     |
| Weighted-average shares outstanding                   | 291,187             | 299,141             |
| Earnings per share-basic:                             |                     |                     |
| Income from continuing operations, net of tax         | \$ 0.08             | \$ 0.41             |
| Total income from discontinued operations, net of tax | 0.00                | 0.83                |
| Net income (1)                                        | \$ 0.09             | \$ 1.24             |

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Diluted shares:

|                                              |         |         |
|----------------------------------------------|---------|---------|
| Weighted-average shares outstanding          | 291,187 | 299,141 |
| Assumed exercise of common stock equivalents | 61      | 5,119   |

|                                                      |         |         |
|------------------------------------------------------|---------|---------|
| Weighted-average common and common equivalent shares | 291,248 | 304,260 |
|------------------------------------------------------|---------|---------|

Earnings per share-diluted:

|                                                       |         |         |
|-------------------------------------------------------|---------|---------|
| Income from continuing operations, net of tax         | \$ 0.08 | \$ 0.40 |
| Total income from discontinued operations, net of tax | 0.00    | 0.82    |

|                |         |         |
|----------------|---------|---------|
| Net income (1) | \$ 0.09 | \$ 1.22 |
|----------------|---------|---------|

|                                                                             |        |        |
|-----------------------------------------------------------------------------|--------|--------|
| Anti-dilutive common stock equivalents related to outstanding stock options | 70,657 | 56,707 |
|-----------------------------------------------------------------------------|--------|--------|

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

**Table of Contents****Note 6 Special Charges**

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

|                             | Closure of<br>Wafer<br>Fabrication<br>Facility<br>in<br>Sunnyvale | Reorganization<br>of Product<br>Development<br>and<br>Support<br>Programs | Consolidation<br>of a<br>Wafer<br>Fabrication<br>Facility<br>in<br>Limerick | Reduction<br>of<br>Overhead<br>Infrastructure<br>Costs | Reduction<br>of<br>Operating<br>Costs | Closure<br>of<br>Wafer<br>Fabrication<br>Facility<br>in<br>Cambridge | Total<br>Special<br>Charges |
|-----------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------|-----------------------------|
| <b>Income Statement</b>     |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Fiscal 2005</b>          |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges:</b>             |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| Workforce reductions        | \$ 20,315                                                         | \$ 11,165                                                                 | \$                                                                          | \$                                                     | \$                                    | \$                                                                   | \$ 31,480                   |
| <b>Total Fiscal 2005</b>    |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges</b>              | \$ 20,315                                                         | \$ 11,165                                                                 | \$                                                                          | \$                                                     | \$                                    | \$                                                                   | \$ 31,480                   |
| <b>Fiscal 2006</b>          |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges:</b>             |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| Facility closure costs      |                                                                   | 554                                                                       |                                                                             |                                                        |                                       |                                                                      | 554                         |
| Abandonment of<br>equipment |                                                                   | 459                                                                       |                                                                             |                                                        |                                       |                                                                      | 459                         |
| Other items                 |                                                                   | 462                                                                       |                                                                             |                                                        |                                       |                                                                      | 462                         |
| Change in estimate          | (2,029)                                                           |                                                                           |                                                                             |                                                        |                                       |                                                                      | (2,029)                     |
| Workforce reductions        |                                                                   | 2,344                                                                     |                                                                             |                                                        |                                       |                                                                      | 2,344                       |
| <b>Total Fiscal 2006</b>    |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges</b>              | \$ (2,029)                                                        | \$ 3,819                                                                  | \$                                                                          | \$                                                     | \$                                    | \$                                                                   | \$ 1,790                    |
| <b>Fiscal 2007</b>          |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges:</b>             |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| Facility closure costs      | 10,288                                                            |                                                                           |                                                                             |                                                        |                                       |                                                                      | 10,288                      |
| Workforce reductions        |                                                                   | 4,165                                                                     | 13,748                                                                      | 10,711                                                 |                                       |                                                                      | 28,624                      |
| Other items                 |                                                                   | 859                                                                       |                                                                             | 1,637                                                  |                                       |                                                                      | 2,496                       |
| Change in estimate          |                                                                   | (913)                                                                     |                                                                             |                                                        |                                       |                                                                      | (913)                       |
| <b>Total Fiscal 2007</b>    |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges</b>              | \$ 10,288                                                         | \$ 4,111                                                                  | \$ 13,748                                                                   | \$ 12,348                                              | \$                                    | \$                                                                   | \$ 40,495                   |
| <b>Fiscal 2008</b>          |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges:</b>             |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| Workforce reductions        |                                                                   |                                                                           |                                                                             |                                                        | 1,627                                 |                                                                      | 1,627                       |
| Change in estimate          |                                                                   |                                                                           | 1,461                                                                       |                                                        |                                       |                                                                      | 1,461                       |
| <b>Total Fiscal 2008</b>    |                                                                   |                                                                           |                                                                             |                                                        |                                       |                                                                      |                             |
| <b>Charges</b>              | \$                                                                | \$                                                                        | \$ 1,461                                                                    | \$                                                     | \$ 1,627                              | \$                                                                   | \$ 3,088                    |

**Fiscal 2009****Charges:**

|                            |  |  |     |  |        |        |        |
|----------------------------|--|--|-----|--|--------|--------|--------|
| Workforce reductions       |  |  |     |  | 15,645 | 9,203  | 24,848 |
| Facility closure costs     |  |  | 550 |  | 2,146  |        | 2,696  |
| Non-cash impairment charge |  |  |     |  | 764    | 12,929 | 13,693 |
| Other items                |  |  |     |  | 500    |        | 500    |

**Total Fiscal 2009**

|                |    |    |    |     |    |    |        |    |        |    |        |
|----------------|----|----|----|-----|----|----|--------|----|--------|----|--------|
| <b>Charges</b> | \$ | \$ | \$ | 550 | \$ | \$ | 19,055 | \$ | 22,132 | \$ | 41,737 |
|----------------|----|----|----|-----|----|----|--------|----|--------|----|--------|

|                                                          | <b>Closure of Wafer Fabrication Facility in Sunnyvale</b> |       | <b>Reorganization of Product Development and Support Programs</b> |       | <b>Consolidation of a Wafer Fabrication Facility in Limerick</b> |         | <b>Reduction of Overhead Infrastructure Costs</b> |       | <b>Reduction of Operating Costs</b> |         | <b>Closure of Wafer Fabrication Facility in Cambridge</b> |          | <b>Total Special Charges</b> |
|----------------------------------------------------------|-----------------------------------------------------------|-------|-------------------------------------------------------------------|-------|------------------------------------------------------------------|---------|---------------------------------------------------|-------|-------------------------------------|---------|-----------------------------------------------------------|----------|------------------------------|
| <b>Accrued Restructuring Balance at November 1, 2008</b> | \$                                                        | 1,747 | \$                                                                | 1,415 | \$                                                               | 11,754  | \$                                                | 1,764 | \$                                  | 1,501   | \$                                                        |          | \$ 18,181                    |
| Fiscal 2009 special charges                              |                                                           |       |                                                                   |       |                                                                  | 550     |                                                   |       |                                     | 19,055  |                                                           | 22,132   | 41,737                       |
| Severance payments                                       |                                                           |       |                                                                   | (168) |                                                                  | (9,916) |                                                   | (676) |                                     | (6,882) |                                                           |          | (17,642)                     |
| Facility closure costs                                   |                                                           | (392) |                                                                   | (17)  |                                                                  | (550)   |                                                   |       |                                     | (130)   |                                                           |          | (1,089)                      |
| Non-cash impairment charge                               |                                                           |       |                                                                   |       |                                                                  |         |                                                   |       |                                     | (764)   |                                                           | (12,929) | (13,693)                     |
| Effect of foreign currency on accrual                    |                                                           |       |                                                                   | (1)   |                                                                  | 324     |                                                   | 3     |                                     | 3       |                                                           |          | 329                          |
| <b>Balance at January 31, 2009</b>                       | \$                                                        | 1,355 | \$                                                                | 1,229 | \$                                                               | 2,162   | \$                                                | 1,091 | \$                                  | 12,783  | \$                                                        | 9,203    | \$ 27,823                    |

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### *Closure of Wafer Fabrication Facility in Sunnyvale*

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

### *Reorganization of Product Development and Support Programs*

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

### *Consolidation of a Wafer Fabrication Facility in Limerick*

During the fourth quarter of fiscal 2007, the Company recorded a special charge of \$13.7 million as a result of its decision to only use eight-inch technology at its wafer fabrication facility in Limerick. Certain manufacturing processes and products produced on the Limerick facility's six-inch production line are transitioning to the Company's existing eight-inch production line in Limerick while others are transitioning to external foundries. The charge was for severance and fringe benefit costs recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under the Company's ongoing benefit plan for 150 manufacturing employees associated with this action. As of January 31, 2009, the Company still employed 14 of the 150 employees included in this action. The Company expects production to cease in the six-inch wafer fabrication facility during the second quarter of 2009, at which time the employment of the remaining affected employees will be terminated. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit. During the fourth quarter of 2008, the Company recorded an additional charge of \$1.5 million related to this action, of which \$1.2 million was an adjustment to the original estimate of the severance costs and \$0.3 million was for clean-up and closure costs that were expensed as incurred. During the first quarter of fiscal 2009, the Company recorded an additional charge of \$0.6 million for clean-up and closure costs that were expensed as incurred. The Company expects to incur additional clean-up and closure costs related to this action over the next two quarters totaling approximately \$0.9 million. In accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, or SFAS 146, the Company will expense these costs as incurred.

### *Reduction of Overhead Infrastructure Costs*

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

### *Reduction of Operating Costs*

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

During the first quarter of fiscal 2009, the Company recorded an additional charge of \$19.1 million related to this cost reduction action. Approximately \$2.1 million of this charge was for lease obligation costs for facilities that the Company ceased using during the first quarter of fiscal 2009; approximately \$0.8 million was for the write-off of property, plant and equipment; and approximately \$0.6 million was for contract termination costs and for clean-up and

closure costs that were expensed as incurred. The remaining \$15.6 million related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan or statutory requirements at foreign locations for 221 manufacturing

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employees and 149 engineering and selling, marketing, general and administrative employees. As of January 31, 2009, the Company still employed 19 of the 370 employees included in this cost reduction action. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

*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 fabrication facility into its existing Wilmington, Massachusetts facility. In connection with the anticipated closure of this facility, the Company evaluated the recoverability of the facilities manufacturing assets and concluded that there was an impairment of approximately \$12.9 million based on the revised period of intended use. The remaining \$9.2 million was for severance and fringe benefit costs recorded pursuant to SFAS 88 under the Company's ongoing benefit plan for 175 manufacturing employees and 9 selling, marketing, general and administrative employees associated with this action. As of January 31, 2009, the Company still employed all of the employees included in this action. The Company expects production to cease in the Cambridge fabrication facility during the fourth quarter of fiscal 2009, at which time the employment of the affected employees will be terminated. These employees must continue to be employed by the Company until their employment is involuntarily terminated in order to receive the severance benefit.

**Note 7 Segment Information**

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

*Revenue Trends by End Market*

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

|                      | Three Months Ended<br>January 31, 2009 |                 |              | Three Months Ended<br>February 2, 2008 |                 |
|----------------------|----------------------------------------|-----------------|--------------|----------------------------------------|-----------------|
|                      | Revenue                                | % of<br>Revenue | Y/Y %        | Revenue                                | % of<br>Revenue |
| Industrial           | \$ 257,046                             | 54%             | (22)%        | \$ 331,061                             | 54%             |
| Communications       | 127,388                                | 27%             | (3)%         | 131,012                                | 21%             |
| Consumer             | 75,940                                 | 16%             | (40)%        | 126,952                                | 21%             |
| Computer             | 16,195                                 | 3%              | (35)%        | 24,884                                 | 4%              |
| <b>Total revenue</b> | <b>\$ 476,569</b>                      | <b>100%</b>     | <b>(22)%</b> | <b>\$ 613,909</b>                      | <b>100%</b>     |

**Table of Contents***Revenue Trends by Product Type*

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

|                                        | <b>Three Months Ended<br/>January 31, 2009</b> |                         |              | <b>Three Months Ended<br/>February 2, 2008</b> |                         |
|----------------------------------------|------------------------------------------------|-------------------------|--------------|------------------------------------------------|-------------------------|
|                                        | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> | <b>Y/Y %</b> | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> |
| Converters                             | \$ 225,823                                     | 47%                     | (20%)        | \$ 281,081                                     | 46%                     |
| Amplifiers                             | 130,172                                        | 27%                     | (16%)        | 155,719                                        | 25%                     |
| Other analog                           | 51,005                                         | 11%                     | (37%)        | 80,843                                         | 13%                     |
| Subtotal analog signal processing      | 407,000                                        | 85%                     | (21%)        | 517,643                                        | 84%                     |
| Power management & reference           | 26,135                                         | 6%                      | (22%)        | 33,415                                         | 6%                      |
| <b>Total analog products</b>           | <b>\$ 433,135</b>                              | <b>91%</b>              | <b>(21%)</b> | <b>\$ 551,058</b>                              | <b>90%</b>              |
| General purpose DSP                    | 40,110                                         | 8%                      | (27%)        | 55,118                                         | 9%                      |
| Other DSP                              | 3,324                                          | 1%                      | (57%)        | 7,733                                          | 1%                      |
| <b>Total digital signal processing</b> | <b>\$ 43,434</b>                               | <b>9%</b>               | <b>(31%)</b> | <b>\$ 62,851</b>                               | <b>10%</b>              |
| <b>Total revenue</b>                   | <b>\$ 476,569</b>                              | <b>100%</b>             | <b>(22%)</b> | <b>\$ 613,909</b>                              | <b>100%</b>             |

*Revenue Trends by Geographic Region*

Revenue by geographic region, based upon customer location, for the three-month periods ended January 31, 2009 and February 2, 2008 was as follows:

| <b>Region</b>                   | <b>Three Months Ended</b>   |                             |
|---------------------------------|-----------------------------|-----------------------------|
|                                 | <b>January<br/>31, 2009</b> | <b>February 2,<br/>2008</b> |
| United States                   | \$ 107,247                  | \$ 131,661                  |
| Rest of North and South America | 19,383                      | 21,103                      |
| Europe                          | 127,745                     | 156,706                     |
| Japan                           | 72,733                      | 124,236                     |
| China                           | 89,712                      | 81,295                      |
| Rest of Asia                    | 59,749                      | 98,908                      |
| <b>Total revenue</b>            | <b>\$ 476,569</b>           | <b>\$ 613,909</b>           |

In the first quarter of fiscal 2009 the predominant countries comprising Rest of North and South America are Canada and Mexico. The predominant countries comprising Europe are Germany, Sweden, France and Italy. The predominant countries comprising Rest of Asia are Taiwan and Singapore.

In the first quarter of fiscal 2008 the predominant countries comprising Rest of North and South America are Canada and Mexico. The predominant countries comprising Europe are Germany, France and the United Kingdom. The predominant countries comprising Rest of Asia are Taiwan and Korea.

**Note 8 Fair Value**

The Company adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157), at the beginning of fiscal year 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for non-financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2008, which is the Company's fiscal year 2010. The adoption of SFAS 157 did not impact the Company's consolidated financial position or results of operations. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a

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liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three level hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under SFAS 157 are described below:

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

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

*Level 3* Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any market activity for the asset or liability at the measurement date. As of January 31, 2009 the Company held no Level 3 assets or liabilities.

The table below sets forth by level the Company's financial assets and liabilities that were accounted for at fair value as of January 31, 2009. The table does not include cash on hand and also does not include assets and liabilities that are measured at historical cost or any basis other than fair value.

|                                                 | Portion of                                       | Fair Value measurement<br>at<br>Reporting Date using                                |                                                           |
|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------|
|                                                 | Carrying<br>Value                                | Quoted<br>Prices<br>in Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) |
|                                                 | Measured at<br>Fair Value<br>January 31,<br>2009 |                                                                                     |                                                           |
| <b>Assets</b>                                   |                                                  |                                                                                     |                                                           |
| <b>Cash Equivalents:</b>                        |                                                  |                                                                                     |                                                           |
| Institutional money market funds                | \$ 219,573                                       | \$ 219,573                                                                          | \$                                                        |
| Corporate obligations                           | 518,659                                          |                                                                                     | 518,659                                                   |
| Euro time deposits                              | 15,382                                           |                                                                                     | 15,382                                                    |
| <b>Short-term investments:</b>                  |                                                  |                                                                                     |                                                           |
| Corporate obligations                           | 513,418                                          |                                                                                     | 513,418                                                   |
| <b>Other Assets:</b>                            |                                                  |                                                                                     |                                                           |
| Deferred compensation investments               | 15,311                                           | 15,311                                                                              |                                                           |
| Other investments                               | 653                                              | 653                                                                                 |                                                           |
| <b>Total assets measured at fair value</b>      | <b>\$ 1,282,996</b>                              | <b>\$ 235,537</b>                                                                   | <b>\$ 1,047,459</b>                                       |
| <b>Liabilities</b>                              |                                                  |                                                                                     |                                                           |
| Forward foreign currency exchange contracts     | \$ 13,759                                        |                                                                                     | \$ 13,759                                                 |
| <b>Total liabilities measured at fair value</b> | <b>\$ 13,759</b>                                 | <b>\$</b>                                                                           | <b>\$ 13,759</b>                                          |

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

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

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

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

**Note 9 Goodwill and Intangible Assets***Goodwill*

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

|                                         | <b>Three<br/>Months<br/>Ended<br/>January 31,<br/>2009</b> |
|-----------------------------------------|------------------------------------------------------------|
| Balance at beginning of period          | \$ 235,175                                                 |
| Foreign currency translation adjustment | (1,721)                                                    |
| Balance at end of period                | \$ 233,454                                                 |

*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:

|                        | January 31, 2009            |                             | November 1, 2008            |                             |
|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                        | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
| Technology-based       | \$ 37,301                   | \$ 27,432                   | \$ 36,516                   | \$ 25,731                   |
| Tradename              | 1,434                       | 1,434                       | 1,438                       | 1,430                       |
| Customer Relationships | 4,530                       | 3,141                       | 4,529                       | 3,022                       |
| Other                  | 6,529                       | 6,529                       | 6,534                       | 6,534                       |
| Total                  | \$ 49,794                   | \$ 38,536                   | \$ 49,017                   | \$ 36,717                   |

Intangible assets are amortized on a straight-line basis over their estimated useful lives or on an accelerated method of amortization that is expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 1.2 years.

Amortization expense from continuing operations, related to intangibles was \$2.0 million and \$2.4 million for the three-month periods ended January 31, 2009 and February 2, 2008, respectively.

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

| Fiscal Year       | Amortization Expense |
|-------------------|----------------------|
| Remainder of 2009 | \$ 4,719             |
| 2010              | \$ 4,562             |
| 2011              | \$ 1,849             |
| 2012              | \$ 128               |

**Note 10 Pension Plans**

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

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

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

|                                    | Three Months Ended |                  |
|------------------------------------|--------------------|------------------|
|                                    | January 31, 2009   | February 2, 2008 |
| Service cost                       | \$ 1,552           | \$ 2,389         |
| Interest cost                      | 2,301              | 2,542            |
| Expected return on plan assets     | (2,583)            | (3,056)          |
| Amortization of prior service cost | 1                  | 2                |
| Amortization of initial net asset  | (10)               | (10)             |
| Amortization of net (gain) loss    | (125)              | 51               |
| Net periodic pension cost          | \$ 1,136           | \$ 1,918         |

Pension contributions of \$1.8 million were made by the Company during the three months ended January 31, 2009. The Company presently anticipates contributing an additional \$5.3 million to fund its defined benefit pension plans in fiscal year 2009 for a total of \$7.1 million.

**Note 11 Revolving Credit Facility**

As of January 31, 2009, the Company had \$1,283.1 million of cash and cash equivalents and short term investments, of which \$119.2 million was held in the United States. The balance of the Company's cash and cash equivalents and short term investments was held outside the United States in various foreign subsidiaries. As the Company intends to reinvest certain of its foreign earnings indefinitely, this cash is not available to meet certain of the Company's cash requirements in the United States, including for cash dividends and common stock repurchases. The Company entered into a five-year, \$165 million unsecured revolving credit facility with certain institutional lenders in May 2008 in order to satisfy potential shortfalls of cash required in the United States. To date, the Company has not borrowed under this credit facility but the Company may borrow in the future and use the proceeds for support of commercial paper issuance, stock repurchases, dividend payments, acquisitions, capital expenditures, working capital and other lawful corporate purposes. Any advances under this credit agreement will accrue interest at rates that are equal to LIBOR plus a margin that is based on the Company's leverage ratio. The terms of this facility also include financial

covenants that require the Company to maintain a minimum interest coverage ratio and not exceed a maximum leverage ratio. The Company is currently compliant with these covenants. The terms of the

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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 12 Common Stock Repurchase**

The Company's common stock repurchase program has been in place since August 2004. In the aggregate, the Board of Directors has authorized the Company to repurchase \$4 billion of the Company's common stock under the program. Under the program, the Company may repurchase outstanding shares of its common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of the Company's Board of Directors, the repurchase program will expire when the Company has repurchased all shares authorized under the program. As of January 31, 2009, the Company had repurchased a total of approximately 114.5 million shares of its common stock for approximately \$3,905.2 million under this program and an additional \$94.9 million remains under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. The Company also from time to time repurchases shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock or restricted stock units, or the exercise of stock options. Any future common stock repurchases will be dependent upon the amount of cash available to the Company in the United States.

**Note 13 Discontinued Operations**

In November 2007, the Company entered into a purchase and sale agreement with certain subsidiaries of ON Semiconductor Corporation to sell the Company's CPU voltage regulation and PC thermal monitoring business which consists of core voltage regulator products for the central processing unit in computing and gaming applications and temperature sensors and fan-speed controllers for managing the temperature of the central processing unit. During the first quarter of fiscal 2008, the Company completed the sale of this business for net cash proceeds of \$138 million, which was net of other cash payments of approximately \$1.4 million. The Company made final additional cash payments of approximately \$2.2 million in the second quarter of fiscal 2008. In connection with the purchase and sale agreement, \$7.5 million was placed into escrow and was excluded from the gain calculations. The Company recorded a pre-tax gain in the first quarter of fiscal 2008 of \$78 million, or \$43 million net of tax, which was recorded as a gain on sale of discontinued operations. During the third quarter of fiscal 2008, additional proceeds were released from escrow and an additional pre-tax gain of \$6.6 million, or \$3.8 million net of tax, was recorded as a gain on sale of discontinued operations. Additionally, at the time of the sale, the Company entered into a one-year manufacturing supply agreement with a subsidiary of ON Semiconductor Corporation for an additional \$37 million. The Company has allocated the proceeds from this arrangement based on the fair value of the two elements of this transaction: 1) the sale of a business and 2) the obligation to manufacture product for a one-year period. As a result, \$85 million was recorded as a liability related to the manufacturing supply agreement, all of which has been utilized as of January 31, 2009. The liability was included in current liabilities of discontinued operations on the Company's consolidated balance sheet. The Company recorded the revenue associated with this manufacturing supply agreement in discontinued operations. As a result, the Company classified inventory for this arrangement as a current asset of discontinued operations. The Company may receive additional proceeds of up to \$1 million, currently held in escrow, upon the resolution of certain contingent items, which would be recorded as additional gain from the sale of discontinued operations.

In September 2007, the Company entered into a definitive agreement to sell its Baseband Chipset Business to MediaTek Inc. The decision to sell the Baseband Chipset Business was due to the Company's decision to focus its resources in areas where its signal processing expertise can provide unique capabilities and earn superior returns. On January 11, 2008, the Company completed the sale of its Baseband Chipset Business for net cash proceeds of \$269 million. The cash proceeds received were net of a refundable withholding tax of \$62 million and other cash payments of approximately \$9 million. The Company made additional cash payments of \$7.8 million during fiscal 2008, primarily related to transaction fees and retention payments to employees that transferred to MediaTek Inc. The Company expects to make additional cash payments of approximately \$2.5 million in the second quarter of fiscal 2009 related to retention payments to employees that transferred to MediaTek Inc. and intellectual property license fees incurred by MediaTek Inc. The Company recorded a pre-tax gain in fiscal 2008 of \$278 million, or \$202 million net of tax, which is recorded as a gain on sale of discontinued operations. The Company may receive additional

proceeds of up to \$10 million, currently held in escrow, upon the resolution of certain contingent items, which would be recorded as additional gain from the sale of discontinued operations.

The Company received additional amounts under various transition service agreements entered into in connection with these dispositions. The transition service agreements included manufacturing, engineering support and certain human resource services and information technology systems support. At the time of the disposition the Company evaluated the nature of the transition services and concluded the services would be primarily completed within the one-year assessment period, and the

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Company did not have the ability to exert significant influence over the disposed businesses' operating and financial policies. Accordingly, the Company concluded that it did not have a significant continuing involvement with the disposed businesses and has presented the disposition of these businesses as discontinued operations pursuant to SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

The following amounts related to the CPU voltage regulation and PC thermal monitoring and Baseband Chipset businesses have been segregated from continuing operations and reported as discontinued operations. These amounts also include the revenue and costs of sales provided under the manufacturing supply agreement between the Company and a subsidiary of ON Semiconductor Corporation, which terminated during the first quarter of fiscal year 2009.

|                                                 | <b>Three Months Ended</b>       |                             |
|-------------------------------------------------|---------------------------------|-----------------------------|
|                                                 | <b>January<br/>31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Total revenue                                   | \$ 10,332                       | \$ 47,363                   |
| Cost of sales                                   | 10,847                          | 32,983                      |
| Operating expenses                              | 15                              | 14,067                      |
| Gain on sale of discontinued operations         |                                 | 356,016                     |
| (Loss) income before income taxes               | (530)                           | 356,329                     |
| (Benefit from) provision for income taxes       | (894)                           | 107,458                     |
| Income from discontinued operations, net of tax | \$ 364                          | \$ 248,871                  |

|                                                                                  | <b>January 31,<br/>2009</b> | <b>November 1,<br/>2008</b> |
|----------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Inventory                                                                        | \$                          | \$ 5,894                    |
| Total assets reclassified to current assets of discontinued operations           | \$                          | \$ 5,894                    |
| Refundable foreign withholding tax                                               | \$ 62,037                   | \$ 62,037                   |
| Total assets reclassified to non-current assets of discontinued operations       | \$ 62,037                   | \$ 62,037                   |
| Accounts payable                                                                 | \$ 31                       | \$ 1,540                    |
| Income taxes payable                                                             | 4,105                       | 4,105                       |
| Accrued liabilities                                                              | 2,540                       | 12,809                      |
| Total liabilities reclassified to current liabilities of discontinued operations | \$ 6,676                    | \$ 18,454                   |

**Note 14 Income Taxes**

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

could have a material impact on the Company's income tax provision and operating results in the period in which such determination is made.

*Fiscal Year 2004 and 2005 IRS Examination*

During the fourth quarter of fiscal 2007, the IRS completed its field examination of the Company's fiscal years 2004 and 2005. On January 2, 2008, the IRS issued its report for fiscal 2004 and 2005, which included proposed adjustments related to these two fiscal years. The Company has provided for taxes and penalties related to certain of these proposed adjustments. There are four items with a potential total tax liability of \$46 million that the Company concluded, based on discussions with its tax advisors, are not likely to result in additional tax liability. Therefore, the Company has not recorded any tax liability for these items and is appealing these proposed adjustments through the normal processes for the resolution of differences between the IRS and taxpayers. Two of the unresolved matters are one-time issues and pertain to Section 965 of the Internal Revenue Code related to the beneficial tax treatment of dividends from foreign owned companies under The American Jobs Creation Act. The

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other matters pertain to the computation of research and development (R&D) tax credits and the profits earned from manufacturing activities carried on outside the United States. These latter two matters could impact taxes payable for fiscal 2004 and 2005 as well as for subsequent years.

*Fiscal Year 2006 and 2007 IRS Examination*

During fiscal 2006, the IRS invited the Company to participate in the Compliance Assurance Process (CAP), which is a voluntary pilot program the IRS is conducting for a limited number of large business taxpayers. The objective of CAP is to reduce taxpayer burden associated with IRS audits while assuring the IRS of the accuracy of tax returns prior to filing. The Company participated in CAP for fiscal 2006 and 2007. Under the program, the IRS is expected to work with the Company contemporaneously to achieve federal tax compliance and resolve issues prior to the filing of a tax return. CAP is designed to eliminate or substantially reduce the need for post-filing examinations of future tax returns. The IRS and the Company have agreed on the treatment of a number of issues that have been included in an Issue Resolutions Agreement related to the 2006 and 2007 tax returns. However, no agreement was reached on the tax treatment of a number of issues, including the same R&D credit and foreign manufacturing issues mentioned above related to fiscal 2004 and 2005. The IRS has not completed its audit of the pricing of intercompany sales (transfer pricing). The Company has not provided for any additional taxes in respect of the examination of the fiscal 2006 and 2007 tax returns.

*Fiscal Year 2008 IRS Examination*

The Company stopped participating in the CAP in fiscal year 2008.

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

**Note 15 New Accounting Standards***Derivative Instruments and Hedging Activities*

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires entities to provide enhanced disclosures about how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, that SFAS 161 may have on the Company's financial condition and results of operations. The adoption of SFAS 161 will change the Company's disclosures for derivative instruments and hedging activities beginning in the second quarter of fiscal year 2009.

*Business Combinations*

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

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*Noncontrolling Interests*

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

*Accounting for Financial Assets and Financial Liabilities*

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

**Note 16 Subsequent Event**

On February 17, 2009, the Company's Board of Directors declared a cash dividend of \$0.20 per outstanding share of common stock. The dividend will be paid on March 25, 2009 to all shareholders of record at the close of business on March 6, 2009.

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

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

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

During the first quarter of fiscal 2008, we sold our baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. and sold our CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation. The financial results of these businesses are presented as discontinued operations in the consolidated statements of income for all periods presented. The assets and liabilities related to these businesses are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of January 31, 2009 and November 1, 2008. Unless otherwise noted, this Management's Discussion and Analysis relates only to financial results from continuing operations.

**Results of Operations**

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

*Overview*

|                                                                 | <b>Three Months Ended</b>   |                             |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                 | <b>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Revenue                                                         | \$476,569                   | \$ 613,909                  |
| Gross margin %                                                  | 56.4%                       | 61.2%                       |
| Income from continuing operations, net of tax                   | \$ 24,585                   | \$ 121,848                  |
| Income from continuing operations, net of tax as a % of revenue | 5.2%                        | 19.8%                       |
| Diluted EPS from continuing operations                          | \$ 0.08                     | \$ 0.40                     |
| Diluted EPS                                                     | \$ 0.09                     | \$ 1.22                     |

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*.

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In the first quarter of fiscal 2009, our revenue decreased 22% from the first quarter of fiscal 2008 and our diluted earnings per share from continuing operations decreased by 80%. Cash flow from operations in the first quarter of fiscal 2009 was \$59.9 million, or 13% of revenue, and we had \$1,283.1 million of cash and short-term investments and no debt as of January 31, 2009.

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

***Revenue Trends by End Market***

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

|                      | <b>Three Months Ended<br/>January 31, 2009</b> |                         |              | <b>Three Months Ended<br/>February 2, 2008</b> |                         |
|----------------------|------------------------------------------------|-------------------------|--------------|------------------------------------------------|-------------------------|
|                      | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> | <b>Y/Y %</b> | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> |
| Industrial           | \$ 257,046                                     | 54%                     | (22)%        | \$ 331,061                                     | 54%                     |
| Communications       | 127,388                                        | 27%                     | (3)%         | 131,012                                        | 21%                     |
| Consumer             | 75,940                                         | 16%                     | (40)%        | 126,952                                        | 21%                     |
| Computer             | 16,195                                         | 3%                      | (35)%        | 24,884                                         | 4%                      |
| <b>Total revenue</b> | <b>\$ 476,569</b>                              | <b>100%</b>             | <b>(22)%</b> | <b>\$ 613,909</b>                              | <b>100%</b>             |

**Industrial** The year-to-year decrease in industrial end market revenue in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 was primarily the result of a broad-based decline in demand in this end market, which was most significant for products sold into the instrumentation and automotive sectors of this end market.

**Communications** The year-to-year slight decrease in communications end market revenue in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 was primarily the result of a decrease in sales of analog products used in wireless handsets and networking applications, partially offset by an increase in sales of products used in basestations.

**Consumer** The year-to-year decrease in consumer end market revenue in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 was primarily the result of a decrease in demand for products used in digital cameras, advanced televisions and video game applications, consistent with the global slowdown in consumer spending.

**Computer** The year-to-year decrease in computer end market revenue in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 was primarily the result of a general slowdown in the PC market.

**Table of Contents***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.

|                                        | <b>Three Months Ended<br/>January 31, 2009</b> |                         |              | <b>Three Months Ended<br/>February 2, 2008</b> |                         |
|----------------------------------------|------------------------------------------------|-------------------------|--------------|------------------------------------------------|-------------------------|
|                                        | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> | <b>Y/Y %</b> | <b>Revenue</b>                                 | <b>% of<br/>Revenue</b> |
| Converters                             | \$ 225,823                                     | 47%                     | (20%)        | \$ 281,081                                     | 46%                     |
| Amplifiers                             | 130,172                                        | 27%                     | (16%)        | 155,719                                        | 25%                     |
| Other analog                           | 51,005                                         | 11%                     | (37%)        | 80,843                                         | 13%                     |
| Subtotal analog signal processing      | 407,000                                        | 85%                     | (21%)        | 517,643                                        | 84%                     |
| Power management & reference           | 26,135                                         | 6%                      | (22%)        | 33,415                                         | 6%                      |
| <b>Total analog products</b>           | <b>\$ 433,135</b>                              | <b>91%</b>              | <b>(21%)</b> | <b>\$ 551,058</b>                              | <b>90%</b>              |
| General purpose DSP                    | 40,110                                         | 8%                      | (27%)        | 55,118                                         | 9%                      |
| Other DSP                              | 3,324                                          | 1%                      | (57%)        | 7,733                                          | 1%                      |
| <b>Total digital signal processing</b> | <b>\$ 43,434</b>                               | <b>9%</b>               | <b>(31%)</b> | <b>\$ 62,851</b>                               | <b>10%</b>              |
| <b>Total revenue</b>                   | <b>\$ 476,569</b>                              | <b>100%</b>             | <b>(22%)</b> | <b>\$ 613,909</b>                              | <b>100%</b>             |

Our overall revenue decreased in the first quarter of fiscal 2009, as compared to the first quarter of fiscal 2008, was due to declining demand in several markets that we serve, particularly the consumer end market, as a result of an overall decline in the worldwide economy.

*Revenue Trends by Geographic Region*

Revenue by geographic region, based upon customer location, for the three-month periods ended January 31, 2009 and February 2, 2008 was as follows:

|                                 | <b>Three Months Ended</b>   |                             |
|---------------------------------|-----------------------------|-----------------------------|
| <b>Region</b>                   | <b>January<br/>31, 2009</b> | <b>February 2,<br/>2008</b> |
| United States                   | \$ 107,247                  | \$ 131,661                  |
| Rest of North and South America | 19,383                      | 21,103                      |
| Europe                          | 127,745                     | 156,706                     |
| Japan                           | 72,733                      | 124,236                     |
| China                           | 89,712                      | 81,295                      |
| Rest of Asia                    | 59,749                      | 98,908                      |
| <b>Total revenue</b>            | <b>\$ 476,569</b>           | <b>\$ 613,909</b>           |

In the first quarter of fiscal 2009 the predominant countries comprising Rest of North and South America are Canada and Mexico. The predominant countries comprising Europe are Germany, Sweden, France and Italy. The predominant

countries comprising Rest of Asia are Taiwan and Singapore.

In the first quarter of fiscal 2008 the predominant countries comprising Rest of North and South America are Canada and Mexico. The predominant countries comprising Europe are Germany, France and the United Kingdom. The predominant countries comprising Rest of Asia are Taiwan and Korea.

Sales declined in all geographic regions, except China, in the first quarter of fiscal 2009, as compared to the first quarter of fiscal 2008, with sales in Japan experiencing the largest decline. This decline in sales in Japan was principally attributable to an overall decline in the consumer end market as a result of the general drop in consumer spending attributable to the global financial market crisis. The increase in sales in China in the first quarter of fiscal 2009, as compared to the first quarter of fiscal 2008, reflects the increased infrastructure development activity of our customers in China.

**Table of Contents***Gross Margin*

|                | <b>Three Months Ended</b>   |                             |
|----------------|-----------------------------|-----------------------------|
|                | <b>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Gross margin   | \$269,002                   | \$ 375,803                  |
| Gross margin % | 56.4%                       | 61.2%                       |

Gross margin percentage was lower by 480 basis points in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 primarily as a result of a decrease in sales of \$137.3 million and reduced operating levels in our manufacturing facilities. This decrease was partially offset by a better mix of products as revenues from higher-margin industrial and communications end markets declined less than our revenues from the consumer and computer end markets.

*Stock-Based Compensation Expense*

As of January 31, 2009, the total compensation cost related to unvested awards not yet recognized in our statement of income was approximately \$142.1 million (before tax consideration), which we will recognize over a weighted average period of 1.9 years. See Note 3 in the Notes to our Condensed Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for further information regarding our adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R).

*Research and Development*

|                                | <b>Three Months Ended</b>   |                         |
|--------------------------------|-----------------------------|-------------------------|
|                                | <b>January 31,<br/>2009</b> | <b>February 2, 2008</b> |
| R&D expenses                   | \$ 119,828                  | \$ 129,539              |
| R&D expenses as a % of revenue | 25.1%                       | 21.1%                   |

Research and development, or R&D, expenses decreased \$9.7 million, or 7%, in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008. This decrease was primarily the result of a decrease in bonus expense paid to employees, which is a variable expense linked to our overall profitability, and to a lesser extent as a result of our actions to reduce certain discretionary expenses.

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>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| SMG&A expenses                   | \$87,846                    | \$ 100,351                  |
| SMG&A expenses as a % of revenue | 18.4%                       | 16.3%                       |

Selling, marketing, general and administrative, or SMG&A, expenses decreased \$12.5 million, or 12%, in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008. This decrease was primarily the result of lower bonus expenses, which are variable expenses linked to our overall profitability, commission expenses, which are variable expenses linked to our sales, and to a lesser extent as a result of our actions to reduce certain discretionary expenses.



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### *Special Charges*

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

#### *Closure of Wafer Fabrication Facility in Sunnyvale*

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

#### *Reorganization of Product Development and Support Programs*

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

#### *Consolidation of a Wafer Fabrication Facility in Limerick*

During the fourth quarter of fiscal 2007, we recorded a special charge of \$13.7 million as a result of our decision to only use eight-inch technology at our wafer fabrication facility in Limerick. Certain manufacturing processes and products produced on the Limerick facility's six-inch production line are transitioning to our existing eight-inch production line in Limerick while others are transitioning to external foundries. The charge was for severance and fringe benefit costs recorded pursuant to SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, or SFAS 88, under our ongoing benefit plan for 150 manufacturing employees associated with this action. As of January 31, 2009, we still employed 14 of the 150 employees included in this action. We expect production to cease in the six-inch wafer fabrication facility during the second quarter of 2009, at which time we will terminate the employment of the remaining affected employees. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. During the fourth quarter of 2008, we recorded an additional charge of \$1.5 million related to this action, of which \$1.2 million was an adjustment to our original estimate of the severance costs and \$0.3 million was for clean-up and closure costs that were expensed as incurred. During the first quarter of fiscal 2009, we recorded an additional charge of \$0.6 million for clean-up and closure costs that we expensed as incurred. We expect to incur additional clean-up and closure costs related to this action over the next two quarters totaling approximately \$0.9 million. In accordance with SFAS 146 *Accounting for Costs Associated with Exit or Disposal Activities*, or SFAS 146, we will expense these costs as incurred. We estimate that the closure of this facility will result in annual cost savings of approximately \$25 million per year, which we expect to realize starting in the first quarter of fiscal 2010. We expect these annual savings will be in cost of sales, of which approximately \$1 million relates to non-cash depreciation savings.

#### *Reduction of Overhead Infrastructure Costs*

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

#### *Reduction of Operating Costs*

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

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

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During the first quarter of fiscal 2009, we recorded an additional charge of \$19.1 million related to this cost reduction action. Approximately \$2.1 million of this charge was for lease obligation costs for facilities that we ceased using during the first quarter of fiscal 2009; approximately \$0.8 million was for the write-off of property, plant and equipment; and approximately \$0.6 million was for contract termination, clean-up and closure costs that we expensed as incurred. The remaining \$15.6 million of this charge related to the severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan or statutory requirements at foreign locations for 221 manufacturing employees and 149 engineering and selling, marketing, general and administrative employees. As of January 31, 2009, we still employed 19 of the 370 employees included in this cost reduction action. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit.

We believe this cost reduction action, which was substantially completed during the first quarter of fiscal 2009, will result in annual savings of approximately \$21.2 million once fully implemented. These savings will be realized as follows: approximately \$18.8 million in SMG&A expenses and approximately \$2.4 million in cost of sales. A portion of these savings is reflected in our results for the first quarter of fiscal 2009 and the savings will be fully reflected in our results during the second quarter of fiscal 2009.

*Closure of a Wafer Fabrication Facility in Cambridge*

During the first quarter of fiscal 2009, we recorded a special charge of \$22.1 million as a result of our decision to consolidate our Cambridge, Massachusetts fabrication facility into our existing Wilmington, Massachusetts facility. In connection with the anticipated closure of this facility, we evaluated the recoverability of the facilities' manufacturing assets and concluded that there was an impairment of approximately \$12.9 million based on the revised period of intended use. The remaining \$9.2 million was for severance and fringe benefit costs recorded pursuant to SFAS 88 under our ongoing benefit plan for 175 manufacturing employees and 9 selling, marketing, general and administrative employees associated with this action. As of January 31, 2009, we still employed all of the employees included in this action. We expect production to cease in the Cambridge fabrication facility during the fourth quarter of fiscal 2009, at which time the employment of the affected employees will be terminated. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. We estimate that the closure of this facility will result in annual cost savings of approximately \$41 million per year, expected to be realized starting in the third quarter of fiscal 2010. We expect these savings to be realized as follows: approximately \$40.2 million in cost of sales, of which approximately \$4.0 million relates to non-cash depreciation savings, and approximately \$0.8 million in SMG&A expenses.

*Operating Income from Continuing Operations*

|                                                               | <b>Three Months Ended</b>   |                             |
|---------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                               | <b>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Operating income from continuing operations                   | \$19,591                    | \$ 145,913                  |
| Operating income from continuing operations as a % of revenue | 4.1%                        | 23.8%                       |

The \$126.3 million decrease in operating income from continuing operations in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 was primarily the result of a decrease in revenue of \$137.3 million, a 480 basis point decrease in gross margin percentage, and a special charge of \$41.7 million in the first quarter of fiscal 2009. This decrease in operating income from continuing operations was partially offset by a decrease in R&D and SMG&A expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*.

*Nonoperating (Income) Expense*

| <b>Three Months Ended</b>       |                             |
|---------------------------------|-----------------------------|
| <b>January<br/>31,<br/>2009</b> | <b>February 2,<br/>2008</b> |

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|                             |            |    |          |
|-----------------------------|------------|----|----------|
| Interest income             | \$ (7,796) | \$ | (12,526) |
| Other (income), expense net | (571)      |    | 173      |
| Total nonoperating income   | \$ (8,367) | \$ | (12,353) |

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Nonoperating income was lower by \$4.0 million in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008 primarily due to lower interest income earned on investments as a result of lower interest rates in the first quarter of fiscal 2009 as compared to the first quarter of fiscal 2008.

*Provision for Income Taxes*

|                            | <b>Three Months Ended</b>   |                             |
|----------------------------|-----------------------------|-----------------------------|
|                            | <b>January<br/>31, 2009</b> | <b>February 2,<br/>2008</b> |
| Provision for income taxes | \$3,373                     | \$ 36,418                   |
| Effective income tax rate  | 12.1%                       | 23.0%                       |

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned. Our effective tax rate for the first quarter of fiscal 2009 was lower compared to our effective tax rate for the first quarter of fiscal 2008 primarily as a result of our recording a special charge of \$41.7 million in the first quarter of fiscal 2009, a portion of which provided a tax benefit at the higher U.S. tax rate.

*Income from Continuing Operations, net of tax*

|                                                                 | <b>Three Months Ended</b>   |                             |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                 | <b>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Income from continuing operations, net of tax                   | \$24,585                    | \$ 121,848                  |
| Income from continuing operations, net of tax as a % of revenue | 5.2%                        | 19.8%                       |
| Diluted EPS from continuing operations                          | \$ 0.08                     | \$ 0.40                     |

Income from continuing operations, net of tax, in the first quarter of fiscal 2009 was lower than in the first quarter of fiscal 2008 by approximately \$97.3 million primarily as a result of the \$126.3 million decrease in operating income that was partially offset by a lower provision for income taxes in the first quarter of fiscal 2009.

*Discontinued Operations*

|                                                       | <b>Three Months Ended</b>       |                             |
|-------------------------------------------------------|---------------------------------|-----------------------------|
|                                                       | <b>January<br/>31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Income from discontinued operations, net of tax       | \$ 364                          | \$ 1,888                    |
| Gain on sale of discontinued operations, net of tax   |                                 | 246,983                     |
| Total income from discontinued operations, net of tax | \$ 364                          | \$ 248,871                  |
| Diluted EPS from discontinued operations              | \$ 0.00                         | \$ 0.82                     |

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

*Outlook*

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

During the first quarter of fiscal 2009, orders through December remained weak, but began to stabilize in January and early February. At this point in the cycle, given our short lead times and the continuing economic uncertainty, a significant portion of our new orders are for delivery in the current quarter. Therefore, we continue to have limited visibility for the next few months. As a result, we estimate that revenue for the second quarter of fiscal 2009 will decline by 5% to 15% compared to the first quarter of fiscal 2009. We anticipate recording a restructuring charge in the second quarter which has not been precisely determined at this time. As a result of the impact of restructuring actions and further spending reductions, we expect operating expenses in the second quarter of fiscal 2009 to decrease by 3% to 4% compared to the first quarter of fiscal 2009.

Assuming this level of cost reduction, we anticipate that at the mid-point of our second quarter of fiscal 2009 revenue guidance, our gross margin will be approximately 53% to 54%, as we reduce manufacturing output and factory utilization below first quarter levels in line with our inventory management plans; and diluted EPS from continuing operations will be approximately \$0.08 to \$0.09, excluding restructuring charges.

**Table of Contents****Liquidity and Capital Resources**

|                                                   | <b>Three Months Ended</b>   |                             |
|---------------------------------------------------|-----------------------------|-----------------------------|
|                                                   | <b>January 31,<br/>2009</b> | <b>February 2,<br/>2008</b> |
| Net cash provided by operations                   | \$59,910                    | \$ 177,420                  |
| Net cash provided by operations as a % of revenue | 12.6%                       | 28.9%                       |

At January 31, 2009, cash, cash equivalents and short-term investments totaled \$1,283.1 million, a decrease of \$26.6 million from the fourth quarter of fiscal 2008. The primary source of funds for the first three months of fiscal 2009 was net cash generated from operating activities of \$59.9 million. The principal uses of funds for the first three months of fiscal 2009 were dividend payments of \$58.2 million and capital expenditures of \$22.2 million.

|                                 | <b>January 31,<br/>2009</b> | <b>November 1,<br/>2008</b> |
|---------------------------------|-----------------------------|-----------------------------|
| Accounts receivable             | \$ 235,352                  | \$ 315,290                  |
| Days sales outstanding          | 45                          | 44                          |
| Inventory                       | \$ 320,967                  | \$ 314,629                  |
| Days cost of sales in inventory | 141                         | 112                         |

Accounts receivable at January 31, 2009 decreased \$79.9 million, or 25%, from the end of the fourth quarter of fiscal 2008. The decrease in receivables was primarily the result of lower revenue in the first quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008.

Inventory at January 31, 2009 increased by \$6.3 million, or 2%, from the end of the fourth quarter of fiscal 2008. The increase in inventory is primarily a result of the sharp sequential decline in sales. Reductions in external manufacturing spending and additional factory shutdowns during the first quarter of fiscal 2009 helped to limit the increase in inventory.

Net additions to property, plant and equipment were \$22.2 million in the first three months of fiscal 2009 and were funded with a combination of cash on hand and cash generated from operations. We expect capital expenditures to be approximately \$59 million in fiscal 2009.

On February 17, 2009, our Board of Directors declared a cash dividend of \$0.20 per outstanding share of our common stock. The dividend is payable on March 25, 2009 to shareholders of record on March 6, 2009 and is expected to be approximately \$58 million in the aggregate. We expect quarterly dividends to continue at \$0.20 per share, although they remain subject to declaration or change by our Board of Directors. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

At January 31, 2009, our principal source of liquidity was \$1,283.1 million of cash and cash equivalents and short-term investments. As of January 31, 2009, approximately \$119.2 million of our cash and cash equivalents and short-term investments were held in the United States. The balance of our cash and cash equivalents and short-term investments was held outside the United States in various foreign subsidiaries. As we intend to reinvest certain of our foreign earnings indefinitely, this cash held outside the United States is not available to meet certain of our cash requirements in the United States, including for cash dividends and common stock repurchases. As a result, we entered into a five-year \$165 million unsecured revolving credit facility in May 2008 in order to satisfy potential shortfalls of cash required in the United States. To date, we have not borrowed under this credit facility but we may borrow in the future and use the proceeds for support of commercial paper issuance, stock repurchases, dividend payments, acquisitions, capital expenditures, working capital and other lawful corporate purposes.

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

**Contractual Obligations**

During the first three months of fiscal 2009, we distributed approximately \$18 million from our Deferred Compensation Plan as a result of elections made by plan participants under the provisions of our Deferred Compensation Plan. In addition, participants have elected to withdraw an additional \$9 million from our Deferred Compensation Plan which will be distributed within the next twelve months. These amounts represented compensation and/or stock option gains previously deferred by those participants pursuant to the terms of our Deferred Compensation Plan. Approximately \$26 million of the amounts that have been or will be distributed during fiscal 2009 was previously reflected in the *More than 5 Years* column of the contractual obligations table contained in the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the fiscal year ended November 1, 2008 because at that time we could not reasonably estimate the timing of such withdrawals. There have not been any other material changes to the amounts presented in the table summarizing our contractual obligations included in our Annual Report on Form 10-K for the year ended November 1, 2008.

**New Accounting Pronouncements***Derivative Instruments and Hedging Activities*

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities* – an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. SFAS 161 requires entities to provide enhanced disclosures about how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact, if any, that SFAS 161 may have on our financial condition and results of operations. The adoption of SFAS 161 will change our disclosures for derivative instruments and hedging activities beginning in the second quarter of fiscal year 2009.

*Business Combinations*

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

*Noncontrolling Interests*

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

*Accounting for Financial Assets and Financial Liabilities*

In February 2007, the FASB, issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities

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with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The adoption of SFAS 159 in the first quarter of fiscal 2009 did not impact our financial condition or results of operations.

### *Fair Value Measurements*

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also provides for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. The adoption of SFAS 157 in the first quarter of fiscal 2009 expanded our disclosures pertaining to the measurement of assets and liabilities.

### **Critical Accounting Policies and Estimates**

There were no material changes to the information provided under the heading Critical Accounting Policies and Estimates included in our Annual Report on Form 10-K for the year ended November 1, 2008.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in the information provided under Item 7A. Quantitative and Qualitative Disclosures about Market Risk set forth in our Annual Report on Form 10-K for the year ended November 1, 2008.

### **ITEM 4. Controls and Procedures**

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Analog's disclosure controls and procedures as of January 31, 2009. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of January 31, 2009, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) *Changes in Internal Control over Financial Reporting.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended January 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1A. Risk Factors**

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

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

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

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

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

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

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

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

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

- competitive pricing pressures;

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

- any significant decline in our backlog;

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

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

changes in geographic, product or customer mix;

our ability to utilize our manufacturing facilities at efficient levels;

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potential significant litigation-related costs;

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

the costs related to compliance with increasing worldwide environmental regulations;

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

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

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

*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.*

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

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

We rely, and plan to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of our wafers that can be manufactured using industry-standard submicron processes. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, manufacturing yields, quality assurance and costs. Additionally, we utilize a limited number of third-party wafer fabricators, primarily Taiwan Semiconductor Manufacturing Company, or TSMC. These suppliers manufacture components in accordance with our proprietary designs and specifications. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. If these suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in additional expenses and delays in product development or shipment of product to our customers. Approximately 41% of our fiscal first quarter 2009 revenue and approximately 44% of our fiscal year 2008 revenue was from products fabricated at third-party wafer-fabrication facilities, primarily TSMC.

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

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

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

Semiconductor products are highly complex and may contain defects when they are first introduced or as new versions are developed. We generally warrant our products to our customers for one year from the date title passes from us. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to warranty and indemnification provisions in our customer contracts and purchase orders. These problems may divert our technical

and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs associated with product recalls, which may adversely impact our operating results. We may also be subject to customer indemnity claims. Our customers have on occasion been sued, and may in the future be sued by third parties with respect to infringement or other product matters, and those customers may seek indemnification from us under the terms and conditions of our sales contracts with them. In certain cases, our potential indemnification liability may be significant. There can be no assurance that we are

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adequately insured to protect against all claims and potential liabilities. If any of our products contains defects, or has reliability, quality or compatibility problems, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results.

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

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

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

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

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

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

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights, including claims arising under our contractual obligations to indemnify our customers. From time to time, we receive claims from third parties asserting that our products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. We could be subject to warranty or product liability claims that could lead to significant costs and expenses as we defend those claims or pay damage awards. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities. We may incur costs and expenses relating to a recall of our customers products due to an alleged failure of components we supply. An adverse outcome in litigation could have a material adverse effect on our financial position or on our operating results or cash flows in the period in which the litigation is

resolved.

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

Our continued success depends to a significant extent upon the recruitment, retention and effective succession of our executive officers and key management and technical personnel, particularly our experienced engineers. The competition for these

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employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on our business should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policy on any of our officers or employees.

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

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

Acquisitions also involve a number of risks, including:

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

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

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

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

- potential loss of key employees;

- exposure to unforeseen liabilities of acquired companies; and

- increased risk of costly and time-consuming litigation.

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

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

We, like many companies in the semiconductor industry, rely on internal manufacturing capacity, wafer fabrication foundries and other sub-contractors in geologically unstable locations around the world. This reliance involves risks associated with the impact of earthquakes on us and the semiconductor industry, including temporary loss of capacity, availability and cost of key raw materials, utilities and equipment and availability of key services, including transport of our products worldwide. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third-party wafer fabrication foundries, as a result of fire, natural disaster, unavailability of utilities or otherwise, would have a material adverse effect on our results of operations and financial condition.

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

We have significant operations and manufacturing facilities outside the United States, including in Ireland and the Philippines. During the first three months of fiscal 2009, approximately 77% of our revenue was derived from customers in international markets. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can

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be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies. Potential interest rate increases, as well as high energy costs, could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products. While a majority of our cash is generated outside the United States, we require a substantial amount of cash in the United States for operating requirements, stock repurchases, cash dividends and acquisitions. If we are unable to address our U.S. cash requirements through operations, by efficient and timely repatriations of overseas cash, through borrowings under our current credit facility or from other sources of cash obtained at an acceptable cost, our business strategies and operating results could be adversely affected.

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

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

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

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

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

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

New climate change regulations could require us to change our manufacturing processes or obtain substitute materials that may cost more or be less available for our manufacturing operations. In addition, new restrictions on carbon dioxide or other greenhouse gas emissions could result in significant costs for us. Greenhouse gas legislation has been introduced in Massachusetts and the United States legislatures and we expect increased worldwide regulatory activity

in the future. The cost of complying, or of failing to comply, with these and other climate change and emissions regulations could have an adverse effect on our business plans and operating results.

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*Our stock price may be volatile.*

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

the current crisis in global credit and financial markets;

actual or anticipated fluctuations in our revenue and operating results;

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

changes in market valuations of other semiconductor companies;

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

departures of key personnel;

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

negative media publicity targeting us or our competitors.

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

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

| Period                                      | Total<br>Number of<br>Shares<br>Purchased | Average<br>Price<br>Paid Per<br>Share (b) | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans<br>or Programs | Approximate<br>Dollar<br>Value of Shares<br>that<br>May Yet Be<br>Purchased<br>Under<br>the Plans or<br>Programs |
|---------------------------------------------|-------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| (a)                                         |                                           |                                           | (c)                                                                                                      |                                                                                                                  |
| November 2, 2008 through November 29, 2008  | 23,626                                    | \$ 20.96                                  | 23,171                                                                                                   | \$ 94,889,921                                                                                                    |
| November 30, 2008 through December 27, 2008 | 635                                       | \$ 18.87                                  |                                                                                                          | \$ 94,889,921                                                                                                    |
| December 28, 2008 through January 31, 2009  | 435                                       | \$ 19.69                                  | 126                                                                                                      | \$ 94,887,484                                                                                                    |
| Total                                       | 24,696                                    | \$ 20.88                                  | 23,297                                                                                                   | \$ 94,887,484                                                                                                    |

(a) Includes 1,399 shares paid to us by employees to satisfy

employee tax obligations upon vesting of restricted stock granted to our employees under our equity compensation plans.

- (b) The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to the brokers.
- (c) Repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. On June 6, 2007, our Board of Directors authorized the repurchase by us of an additional \$1 billion of our common stock, increasing the total amount of our common stock we are authorized to repurchase under the program to \$4 billion. Under the repurchase program, we

may repurchase  
outstanding  
shares of our  
common stock  
from time to  
time in the open  
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.

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**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: February 18, 2009

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

Date: February 18, 2009

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

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**Exhibit Index**

| <b>Exhibit<br/>No.</b> | <b>Description</b>                                                                                                                                                                                                                                          |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                    | Restated Articles of Organization of Analog Devices, Inc., as amended, incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 8, 2008 (File No. 1-7819). |
| 3.2                    | Amended and Restated By-Laws of Analog Devices, Inc., incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008 (File No. 1-7819).                  |
| 10.1                   | Offer Letter for David A. Zinsner, dated November 18, 2008.                                                                                                                                                                                                 |
| 10.2                   | Analog Devices, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 8, 2008 (File No. 1-7819). |
| 10.3                   | Form of Amendment to Employee Retention Agreement, incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 8, 2008 (File No. 1-7819).                    |
| 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).                                                                                                                                                                                 |