ANALOG DEVICES INC
Form 10-K
November 24, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended October 31, 2009

OR

o **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	**04-2348234**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
One Technology Way, Norwood, MA	**02062-9106**
(Address of principal executive offices)	*(Zip Code)*

(781) 329-4700
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock $0.162/3 Par Value	**New York Stock Exchange**
Title of Each Class	*Name of Each Exchange on Which Registered*

Securities registered pursuant to Section 12(g) of the Act:

None
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant was approximately $5,181,000,000 based on the last reported sale of the Common Stock on the New York Stock Exchange Composite Tape reporting system on May 2, 2009. Shares of voting and non-voting stock beneficially owned by executive officers, directors and holders of more than 5% of the outstanding stock have been excluded from this calculation because such persons or institutions may be deemed affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

As of October 31, 2009 there were 291,861,767 shares of Common Stock, $0.162/3 par value per share, outstanding.

Documents Incorporated by Reference

Document Description	Form 10-K Part
Portions of the Registrant s Proxy Statement for the Annual Meeting of Shareholders to be held March 9, 2010	III

PART I

ITEM 1. BUSINESS

Company Overview

We are a world leader in the design, manufacture and marketing of high-performance analog, mixed-signal and digital signal processing integrated circuits used in industrial, communication, computer and consumer applications. Since our inception in 1965, we have focused on solving the engineering challenges associated with signal processing in electronic equipment. Our signal processing products translate real-world phenomena such as light, sound, temperature, motion and pressure into electrical signals to be used in a wide array of electronic equipment. Used by over 60,000 customers worldwide, our products are embedded inside many types of electronic equipment including:

- Industrial process controls
- Factory automation systems
- Instrumentation
- Energy management systems
- Defense electronics
- Automobiles
- Medical imaging equipment
- Portable wireless communications devices
- Cellular basestations
- Central office networking equipment
- Computers
- Digital cameras
- Digital televisions

Signal processing technology is a critical element of industrial, high-speed communications and consumer applications. As new generations of digital applications evolve, they generate new needs for high-performance analog signal processing and digital signal processing, or DSP, technology. We produce a wide range of products that are designed to meet the signal processing technology needs of a broad base of customers. The breakdown of our fiscal 2009 revenue by end market is set out in the table below.

End Market	Percent of Total FY2009 ADI Revenue
Industrial	52%
Communications	25%
Consumer	20%
Computer	3%

We sell our products worldwide through a direct sales force, third-party distributors and independent sales representatives and through our website. We have direct sales offices in 17 countries, including the United States.

We are headquartered near Boston, in Norwood, Massachusetts, and have manufacturing facilities in Massachusetts, Ireland and the Philippines. We were founded in 1965 and are incorporated in Massachusetts. Our common stock is listed on the New York Stock Exchange under the symbol ADI and is included in the Standard & Poor s 500 Index.

We maintain a website with the address www.analog.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current

Reports on Form 8-K (including exhibits), and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. We also make available on our website our corporate governance guidelines, the charters for our audit committee, compensation committee, and nominating and corporate governance committee, our stock option granting policies, our code of business conduct and ethics which applies to our directors, officers and employees, and our related person transaction policy, and such information is available in print and free of charge to any shareholder of Analog Devices who requests it. In addition, we intend to disclose on our website any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the Securities and Exchange Commission or the New York Stock Exchange.

Industry Background

All electronic signals fall into one of two categories, analog or digital. Analog signals, also known as linear signals, represent real-world phenomena, such as temperature, pressure, sound, speed and motion. This information can be detected and measured using analog sensors by generating continuously-varying voltages and currents. The signals from these sensors are initially processed using analog methods, such as amplification, filtering and shaping. They are then usually converted to digital form for storage or further manipulation. The further manipulation of the signals after conversion to digital form is called digital signal processing. Digital signals represent the ones and zeros of binary arithmetic and are either on or off. Digital signals are frequently converted back to analog form for functions such as video display, audio output or control. We refer to these manipulations and transformations as real-world signal processing.

Significant developments in semiconductor technology in recent years have substantially increased the performance and functionality of integrated circuits, or ICs, used in signal processing applications. These developments include:

- the ability to combine analog and digital signal processing capability on a single chip, thereby making possible more highly-integrated solutions; and

- the widespread application of low-cost, high-performance microprocessor-based systems, which allows customers to convert analog information into digital information that can be managed by these microprocessors.

Principal Products

We design, manufacture and market a broad line of high-performance ICs that incorporate analog, mixed-signal and digital signal processing technologies. Our ICs are designed to address a wide range of real-world signal processing applications. Across the entire range of our product portfolio are both general-purpose products used by a broad range of customers and applications as well as application-specific products designed for specific clusters of customers in key target markets. By using readily available, high-performance, general-purpose products in their systems, our customers can reduce the time they need to bring new products to market. Given the high cost of developing more customized ICs, our standard products often provide a cost-effective solution for many low to medium volume applications. However, in some industrial, communications, consumer and computer products, we focus on working with leading customers to design application-specific solutions. We begin with our existing core technologies in data conversion, amplification, power management, radio frequency and DSP, and devise a solution to more closely meet the needs of a specific customer or group of customers. Because we have already developed the core technology for our general-purpose products, we can create application-specific solutions quickly.

We produce and market several thousand products and operate in one reporting segment. Our ten highest revenue products, in the aggregate, accounted for approximately 9% of our revenue for fiscal 2009. The majority of our products are proprietary, meaning equivalent products are not available from competitors. A limited number of other companies may provide products with similar functions. A breakdown of our fiscal 2009 revenue by product category follows.

Product Category	Percent of Total FY2009 ADI Revenue *
Converters	48%

Amplifiers	25%
Other analog	13%
Power management & reference	6%
DSP	9%

* The sum of the individual percentages do not equal 100% due to rounding.

Analog Products

Our analog IC technology has been the foundation of our business for over four decades, and we believe we are one of the world s largest suppliers of high-performance analog ICs. Our analog signal processing ICs are primarily high-performance devices, generally defined as devices that support a minimum of 10-bits of accuracy and a minimum of 50 megahertz of speed. The principal advantages these products have versus competitors products include higher accuracy, lower cost per function, smaller size, lower power consumption and fewer components resulting in improved reliability. The majority of our analog IC products are proprietary to us in their design and our product portfolio addresses a wide range of applications. Our product portfolio includes several thousand analog ICs, any one of which can have as many as several hundred customers. Our analog ICs typically have long product life cycles. Our analog IC customers include both original equipment manufacturers, or OEMs, and customers who build electronic subsystems for integration into larger systems.

We derive the majority of our analog signal processing IC product revenue from sales of data converters and amplifiers. We are the industry s leading supplier of data converter products. Data converters translate real-world analog signals into digital data and also translate digital data into analog signals. Data converters remain our largest and most diverse product family and an area where we are continuously innovating to enable our customers to redefine and differentiate their products. With the industry s leading portfolio of ADCs (analog-to-digital converters) and DACs (digital-to-analog converters), our converter products combine sampling rates and accuracy with the low noise, power, price and small package size required by industrial, medical, automotive, communications, and consumer electronics. We are also a leading supplier of high-performance amplifiers. Amplifiers are used to condition analog signals and minimize noise. We provide high speed, precision, RF, broadband, instrumentation and other amplifiers. We also offer an extensive portfolio of comparators that are used in a wide variety of applications.

Our analog technology also includes the broadest portfolio of RF ICs covering the entire RF signal chain from industry-leading high performance RF function blocks to highly integrated WI-MAX and short-range single chip transceiver solutions. To date, we have sold our RF ICs principally for cellular infrastructure and point-to-point applications and have been focused on the high performance end of the market.

Our analog technology portfolio also includes products using an advanced IC technology known in the industry as surface micromachining, which is used to produce semiconductor products known as micro-electromechanical systems, or MEMS. This technology enables us to build extremely small mechanical sensing elements on the surface of a chip along with supporting circuitry. In addition to incorporating an electro-mechanical structure, these devices also have analog circuitry for conditioning signals obtained from the sensing element. The integration of signal conditioning and MEMS is a unique feature of our products which we call iMEMS®. Our iMEMS product portfolio includes accelerometers used to sense acceleration, gyroscopes used to sense rotation, and MEMS microphones used to capture audio sounds. The majority of our current revenue from MEMS products is derived from automotive manufacturers and consumer customers.

Power management and reference products make up the balance of our analog sales. Whether the product is plugged into the wall or runs on batteries, every electronic device requires some form of power management, which can include converters, battery chargers, charge pumps, and regulators. We leverage our leading analog signal technology to devise innovative high-performance power management ICs, high-reliability infrastructure equipment and battery-operated portable medical, communications and consumer devices.

Digital Signal Processing Products

Digital Signal Processors (DSPs) complete our product portfolio. DSPs are optimized for high-speed numeric calculations, which are essential for instantaneous, or real-time, processing of digital data generated, in most cases, from analog to digital signal conversion. Our DSP products are designed to be fully programmable and to efficiently execute specialized software programs, or algorithms, associated with processing digitized real-time, real-world data. Programmable DSPs provide the flexibility to modify the device s function quickly and inexpensively using software. Our general-purpose DSP IC customers typically write their own algorithms using software development tools that we provide and software development tools they obtain from third-party suppliers. Our DSPs are designed in families of products that share a common architecture and therefore can execute the same software. We support these products with easy-to-use, low-cost development tools, which are designed to reduce our customers product development costs and time-to-market.

Markets and Applications

The following describes some of the characteristics of, and customer products within, our major markets:

Industrial Our industrial market includes the following areas:

Industrial Process Automation Our industrial process automation market includes applications, such as:

Factory automation systems	Environmental control systems
Automatic process control systems	Automatic test equipment
Robotics	

These applications generally require ICs that offer performance greater than that available from commodity-level ICs but generally do not have production volumes that warrant custom or application-specific ICs. Combinations of analog, mixed-signal and DSP ICs are usually employed to achieve the necessary functionality.

Instrumentation Our instrumentation market includes engineering, medical and scientific instruments. These applications are usually designed using the highest performance analog and mixed-signal ICs available. Customer products include:

Oscilloscopes	MRI equipment
Logic analyzers	Blood analyzers
CT scanners	Microscopes

Defense/Aerospace The defense, commercial avionics and space markets all require high-performance ICs that meet rigorous environmental and reliability specifications. Many of our analog ICs can be supplied in versions that meet these standards. In addition, many products can be supplied to meet the standards required for broadcast satellites and other commercial space applications. Most of our products sold in this market are specifically tested versions of products derived from our standard product offering. Customer products include:

Navigation systems	Radar systems
Flight simulators	Security devices

Automotive The automotive industry relies on electronics to bring differentiated features to market quickly. As a result, electronic equipment content is continuing to increase as a percentage of total vehicle cost. In the automotive market, we have achieved significant market penetration through collaboration with manufacturers worldwide to drive innovation in three key areas: safety systems, power train electronics, and infotainment (which includes entertainment, communications and navigation systems). We offer a wide portfolio of analog ICs used in powertrain and body electronics applications to help improve fuel efficiency and lower emissions. We have developed products specifically for the automotive market which are used in such applications as:

Crash sensors in airbag systems	Smart suspension systems

Roll-over sensing	Engine control
Global positioning satellite (GPS)	In-cabin electronics
Automotive navigation systems	Audio
Anti-lock brakes	Collision avoidance systems

Energy Management The need to improve energy efficiency, conservation, reliability, and cleanliness is driving investments in renewable energy, power transmission and distribution systems, electric meters, and other innovative areas. The common characteristic behind these efforts is the addition of sensing, measurement, and communication technologies to electrical infrastructure. Our offerings include both standard and application-specific products and are used in applications such as:

Electric meters	Wind turbines
Meter communication modules	Solar inverters
Substation relays and automation equipment	Building energy automation/control

Communications The development of broadband, wireless and Internet infrastructures around the world has created an important market for our communications products. Communications technology involves the acquisition of analog signals that are converted from analog to digital and digital to analog form during the process of transmitting and receiving data. The need for higher speed and reduced power consumption, coupled with more reliable, bandwidth-efficient communications, has been creating demand for our products. Our products are used in the full spectrum of signal processing for audio, data, image and video communication. In wireless and broadband communication applications, our products are incorporated into:

Cellular handsets	Routers
Cellular basestation equipment	Remote access servers
PBX switches	

Consumer Market demand for digital entertainment systems and the consumer demand for high quality voice, music, movies and photographs have allowed us to combine analog and digital design capability to provide solutions that meet the rigorous cost requirements of the consumer electronics market. The emergence of high-performance, feature-rich consumer products has created a market for our high-performance ICs with a high level of specific functionality. These products include:

Digital camcorders and cameras	Video projectors
Home theater systems	Portable media devices
LCD digital televisions	High-definition DVD recorders/players

Computer Revenues from computer customers now comprise only a small percentage of our total revenue given the limited opportunity for high performance signal processing technology in this market.

Research and Development

Our markets are characterized by rapid technological changes and advances. Accordingly, we make substantial investments in the design and development of new products and manufacturing processes, and the improvement of existing products and manufacturing processes. We spent approximately $447 million during fiscal 2009 on the design, development and improvement of new and existing products and manufacturing processes, compared to approximately $533 million during fiscal 2008 and approximately $510 million during fiscal 2007.

Our research and development strategy focuses on building technical leadership in core technologies of converters, linear, including amplifiers, and Radio Frequency (RF) technology, power management, sensors, and digital signal processing. In support of our research and development activities, we employ thousands of engineers involved in product and manufacturing process development at 34 design centers and manufacturing sites located throughout the world.

Patents and Other Intellectual Property Rights

We seek to establish and maintain our proprietary rights in our technology and products through the use of patents, copyrights, trademarks and trade secret laws. We have a program to file applications for and obtain patents, copyrights and trademarks in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We also seek to maintain our trade secrets and confidential information by nondisclosure policies and through the use of appropriate confidentiality agreements. We have obtained a substantial number of patents and trademarks in the United States and in other countries. As of October 31, 2009, we held approximately 1,499 U.S. patents and approximately 604 non-provisional pending U.S. patent applications. There can be no assurance, however, that the rights obtained can be successfully enforced against infringing products in every jurisdiction. While our patents, copyrights, trademarks and trade secrets provide some advantage and protection, we believe our competitive position and future success is largely determined by such factors as the system and application knowledge, innovative skills, technological expertise and management ability and experience of our personnel; the range and success of new products being developed by us; our market brand recognition and ongoing marketing efforts; and customer service and technical support. It is generally our policy to seek patent protection for significant inventions that may be patented, though we may elect, in certain cases, not to seek patent protection even for significant inventions, if we determine other protection, such as maintaining the invention as a trade secret, to be more advantageous. We also have trademarks that are used in the conduct of our business to distinguish genuine Analog Devices products and we maintain cooperative advertising programs to promote our brands and identify products containing genuine Analog Devices components. In addition, we have registered certain of our mask sets, which are akin to the blueprint for building an IC, under the Semiconductor Chip Protection Act of 1984.

Sales Channels

We sell our products globally through a direct sales force, third-party distributors, independent sales representatives and via our website.

We derived approximately 54% of our fiscal 2009 product revenue from sales made through distributors. These distributors typically maintain an inventory of our products. Some of them also sell products which compete with our products, including those for which we are an alternate source. In all regions of the world, we defer revenue and the related cost of sales on shipments to distributors until the distributors resell the products to their customers. We make sales to distributors under agreements that allow distributors to receive price adjustment credits and to return qualifying products for credit, as determined by us, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. These agreements limit such returns to a certain percentage of our shipments to that distributor during the prior quarter. In addition, distributors are allowed to return unsold products if we terminate the relationship with the distributor. Additional information relating to our sales to distributors is set forth in Note 2n. in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

The categorization of sales into geographic regions set forth below is based upon the location of the customer.

Geographic Area	% of 2009 Revenue	Direct Sales Offices
United States	20%	12
Rest of North/South America	5%	
Europe	25%	12
Japan	17%	1
China	19%	2
Rest of Asia	14%	5

We also have sales representatives and/or distributors in over 40 countries outside North America, including countries where we also have direct sales offices. For further detail regarding revenue and financial information about our industry, segment and geographic areas, see our Consolidated Financial Statements and Note 4 in the related Notes contained in Item 8 of this Annual Report on Form 10-K.

We support our worldwide technical direct field sales efforts by an extensive promotional program that includes editorial coverage and paid advertising in trade publications, direct mail programs, promotional brochures, technical seminars and participation in trade shows. We publish and distribute product catalogs, applications guides, technical handbooks and detailed data sheets for individual products. We also provide this information and sell products via our website. We maintain a staff of field application engineers who aid customers in incorporating our products into their products.

We have tens of thousands of customers worldwide. Our largest single customer, excluding distributors, represented approximately 5% of our fiscal 2009 revenue. Our 20 largest customers, excluding distributors, accounted for approximately 37% of our fiscal 2009 revenue. These customers used hundreds of different types of our products in a wide range of applications spanning the industrial, communication, consumer and computer markets.

Seasonality

Sales to customers during our first fiscal quarter may be lower than other quarters due to plant shutdowns at some of our customers during the holiday season. In general, the seasonality for any specific period of time has not had a material impact on our results of operations. In addition, as explained in our risk factors included elsewhere in this report, our revenue is more likely to be influenced on a quarter to quarter basis by cyclicality in the semiconductor industry.

Foreign Operations

Through subsidiaries and affiliates, we conduct business in numerous countries outside the United States. During fiscal 2009, we derived approximately 80% of our revenue from customers in international markets. Our international business is subject to risks customarily encountered in foreign operations, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other laws, policies and regulations of foreign governments. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, our competitive position may be adversely affected by changes in the exchange rate of the United States dollar against other currencies.

Production and Raw Materials

Monolithic integrated circuit components are manufactured in a sequence of semiconductor production steps that include wafer fabrication, wafer testing, cutting the wafer into individual chips, or dice, assembly of the dice into packages and electrical testing of the devices in final packaged form. The raw materials used to manufacture these devices include silicon wafers, processing chemicals (including liquefied gases), precious metals and ceramic and plastic used for packaging.

We develop and employ a wide variety of proprietary manufacturing processes that are specifically tailored for use in fabricating high-performance analog, DSP, mixed-signal and MEMS ICs. We also use bipolar and complementary metal-oxide semiconductor, or CMOS, wafer fabrication processes.

Our IC products are fabricated both at our production facilities and by third-party wafer fabricators. Our products are manufactured in our own wafer fabrication facilities using proprietary processes and at third-party wafer-fabrication foundries using sub-micron digital CMOS processes. Approximately 49%, 44% and 43% of our revenue in fiscal 2009, 2008 and 2007, respectively, was from products fabricated at third-party wafer-fabrication facilities, primarily Taiwan Semiconductor Manufacturing Company (TSMC). We operate wafer fabrication facilities in Wilmington, Massachusetts and Limerick, Ireland. We closed our wafer fabrication facility in Cambridge, Massachusetts at the end of fiscal 2009. We also operate test facilities located in the Philippines and use third-party subcontractors for the assembly and testing of our products.

Capital spending was $56.1 million in fiscal 2009, compared with $157.4 million in fiscal 2008. We currently plan to make capital expenditures in the range of $60 million to $70 million in fiscal 2010.

Our products require a wide variety of components, raw materials and external foundry services, most of which we purchase from third-party suppliers. We have multiple sources for many of the components and materials that we purchase and incorporate into our products. However, a large portion of our external wafer purchases and foundry services are from a limited number of suppliers, primarily TSMC. If TSMC or any of our other key 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 significant expenses and disruptions or delays in manufacturing, product development and shipment of product to our customers. Although we have experienced shortages of components, materials and external foundry services from time to time, these items have generally been available to us as needed.

Backlog

Backlog at the end of fiscal 2009 was approximately $411 million, up from approximately $333 million at the end of fiscal 2008. We define backlog as of a particular date to mean firm orders from a customer or distributor with a requested delivery date within thirteen weeks. Backlog is impacted by the tendency of customers to rely on shorter lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog and, in some instances, we may not have manufacturing capacity sufficient to fulfill all orders. As is customary in the semiconductor industry, we allow most orders to be cancelled or deliveries to be delayed by customers without significant penalty. Accordingly, we believe that our backlog at any time should not be used as an indication of our future revenue.

We typically do not have long-term sales contracts with our customers. In some of our 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 demand. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellation of orders leading to a sharp reduction of sales and backlog. Further, those orders or forecasts may be for products that meet the customer s unique requirements so that those cancelled orders would, in addition, result in an inventory of unsaleable products, resulting in potential inventory write-offs. As a result of lengthy manufacturing cycles for some of our products that are subject to these uncertainties, the amount of unsaleable product could be substantial.

Government Contracts

We estimate that approximately 5% of our fiscal 2009 product revenue was attributable to sales to the U.S. government and U.S. government contractors and subcontractors. Our government contract business is predominantly in the form of negotiated, firm fixed-price subcontracts. All such contracts and subcontracts contain standard provisions relating to termination at the election of the U.S. government.

Acquisitions, Divestitures and Investments

An element of our business strategy involves expansion through the acquisition 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. From time to time, we consider acquisitions and divestitures that may strengthen our business.

Additional information relating to our acquisition and divestiture activities during fiscal 2009, fiscal 2008 and fiscal 2007 is set forth in Note 2u. and Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Competition

We compete with a number of semiconductor companies in markets that are highly competitive. Our competitors include:

Broadcom Corporation
Cirrus Logic, Inc.
Freescale Semiconductor, Inc.
Infineon Technologies
Intersil Corporation
Linear Technology Corporation
Maxim Integrated Products, Inc.
Microchip Technology, Inc.
National Semiconductor Corporation
NXP Semiconductors
ST Microelectronics
Silicon Laboratories, Inc.
Texas Instruments, Inc.

We believe that competitive performance in the marketplace for real-world signal processing components depends upon several factors, including 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. We believe our technical innovation emphasizing product performance and reliability, supported by our commitment to strong customer service and technical support, enables us to compete in our chosen markets against both foreign and domestic semiconductor manufacturers.

Many other companies offer products that compete with our products, and 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. Additionally, some formerly independent competitors have been purchased by larger companies. Our competitors also include emerging companies selling specialized products into markets we serve. 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 price competition.

Environment

We are committed to protecting the environment and the health and safety of our employees, customers and the public. We endeavor to adhere to stringent regulatory and industry standards across all of our facilities, to encourage pollution prevention, to reduce our energy consumption and to strive towards continual improvement. We strive to achieve a standard of excellence in environmental, health and safety management practices as an integral part of our total quality management system.

Our management systems are certified to ISO 14001, OHSAS 18001, ISO 9000 and TS16949. We are an applicant member of the Electronic Industry Citizenship Coalition (EICC). In fiscal 2009, we published our first Sustainability Report, which detailed our commitment to reduced consumption of energy and fair labor standards, among other things. We are not including the information contained in our Sustainability Report, or incorporating it by reference into this Annual Report on Form 10-K.

Our manufacturing facilities are subject to numerous and increasingly strict environmental laws and regulations, particularly with respect to the transportation, storage, handling, use, emission, discharge and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. In addition, our products are subject to increasingly stringent regulations regarding chemical content under European Union regulatory programs, such as RoHS and REACH enacted by individual countries. Contracts with many of our customers reflect these and additional environmental compliance obligations. Compliance with these laws and regulations has not had a material impact on our capital expenditures, earnings, financial condition or competitive position. There can be no assurance, however, that current or future environmental laws and regulations will not impose costly requirements upon us. Any failure by us to comply with applicable environmental laws, regulations and contractual obligations could result in fines, suspension of production, alteration of fabrication processes and legal liability.

Employees

As of October 31, 2009, we employed approximately 8,300 individuals worldwide. Our future success depends in large part on the continued service of our key technical and senior management personnel, and on our ability to continue to attract, retain and motivate qualified employees, particularly those highly-skilled design, process, test and applications engineers involved in the design, support and manufacture of new and existing products and processes. We believe that relations with our employees are good; however, the competition for such personnel is intense, and the loss of key personnel could have a material adverse impact on our results of operations and financial condition.

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 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 continue to experience disruptions, including 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. While there are signs that conditions may be improving, there is no certainty that this trend will continue or that credit and financial markets and confidence in economic conditions will not deteriorate again. 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. The financial turmoil could cause financial institutions to consolidate or go out of business, which increases the risk that the actual amounts realized in the future on our financial instruments could differ significantly from the fair value assigned to them. 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;
- 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;

potential significant litigation-related costs;

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

the costs related to compliance with increasing worldwide environmental regulations;

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

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

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

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

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

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

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

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

Our success significantly depends on our continued ability to improve our products and develop and market innovative new products. Product development, innovation and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations. In addition, our growth is dependent on our continued ability to identify and penetrate new markets where we have limited experience and competition is intense. Also, some of our customers in these markets are less established, which could subject us to increased credit risk. There can be no assurance that the markets we serve will grow in the future, that our existing and new products will meet the requirements of these markets, that our products will achieve customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets. Furthermore, a decline in demand in one or several of our end-user markets could have a material adverse effect on the demand for our products and our results of operations.

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

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

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

We rely, and plan to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of our wafers that can be manufactured using industry-standard submicron processes. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, manufacturing yields, quality assurance and costs. Additionally, we utilize a limited number of third-party wafer fabricators, primarily Taiwan Semiconductor Manufacturing Company, or TSMC. These suppliers manufacture components in accordance with our proprietary designs and specifications. In addition, these suppliers often provide manufacturing services to our competitors and therefore periods of increased industry demand may result in capacity constraints. If these suppliers are unable or unwilling to manufacture and deliver sufficient quantities of components to us on the time schedule and of the quality that we require, we may be forced to seek to engage additional or replacement suppliers, which could result in additional expenses and delays in product development or shipment of product to our customers. Approximately 49% of our fiscal year 2009 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 inventory in a period of decreased demand, our operating results may be adversely affected as a result of increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges. These capacity expansions by us and other semiconductor manufacturers could also lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources, or locate suitable third-party suppliers, to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our current or future business could be materially and adversely affected.

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

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

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

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

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

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

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

There can be no assurance that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection. We may not have foreign patents or pending applications corresponding to our U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents.

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

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

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

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

An element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. We may not be able to find businesses that have the technology or resources we need and, if we find such businesses, we may not be able to purchase or license the technology or resources on commercially favorable terms or at all. Acquisitions and technology licenses are difficult to identify and complete for a number of reasons, including the cost of potential transactions, competition among prospective buyers and licensees, the need for regulatory approvals, and difficulties related to integration efforts. In order to finance a potential transaction, we may need to raise additional funds by issuing securities or borrowing money. We may not be able to find financing on favorable terms, and the sale of our stock may result in the dilution of our existing shareholders or the issuance of securities with rights that are superior to the rights of our common shareholders.

Acquisitions also involve a number of risks, including:

- difficulty integrating acquired technologies, operations and personnel with our existing businesses;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;

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

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 fiscal 2009, approximately 80% of our revenue was derived from customers in international markets. Although we engage in hedging transactions to reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the United States dollar against other currencies. Potential interest rate increases, as well as high energy costs, could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products. While a majority of our cash is generated outside the United States, we require a substantial amount of cash in the United Sates 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 intellectual property rights and enforcement of those 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 pollution control 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.

If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our $375 million senior unsecured notes.

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

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness, including the notes;
- sell selected assets;

- reduce or delay planned capital expenditures; or
- reduce or delay planned operating expenditures.

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

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

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

Our stock price may be volatile.

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

- crises in global credit 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 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Norwood, Massachusetts. Manufacturing and other operations are conducted in several locations worldwide. The following tables provide certain information about our principal general offices and manufacturing facilities:

Principal Properties Owned:	Use	Floor Space
Wilmington, MA	Wafer fabrication, testing, engineering, marketing and administrative offices	586,200 sq. ft.
Cavite, Philippines	Wafer probe and testing, warehouse, engineering and administrative offices	468,400 sq. ft.
Limerick, Ireland	Wafer fabrication, wafer probe and testing, engineering and administrative offices	446,500 sq. ft.
Westwood, MA	Engineering, administrative offices and warehouse	100,500 sq. ft.
Greensboro, NC	Product testing, engineering and administrative offices	98,700 sq. ft.
San Jose, CA	Engineering, administrative offices	76,700 sq. ft.
Manila, Philippines	Components assembly and testing, engineering and administrative offices	74,000 sq. ft.

Principal Properties Leased:	Use	Floor Space	Lease Expiration (fiscal year)	Renewals
Norwood, MA	Corporate headquarters, engineering, components testing, sales and marketing offices	130,000 sq. ft.	2022	2, five-yr. periods
Cambridge, MA(a)	Wafer fabrication, components testing and assembly engineering, marketing and administrative offices	117,000 sq. ft.	2011	None
Greensboro, NC	Engineering and administrative offices	47,600 sq. ft.	2011	1, two-yr. period

(a) We finished production and began clean-up at this wafer fabrication facility during the fourth quarter of fiscal 2009. For additional information, see Note 5 in the Notes to our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

In addition to the principal leased properties listed in the above table, we also lease sales offices and other premises at 25 locations in the United States and 36 locations internationally under operating lease agreements. These leases expire at various dates through the year 2022. We do not anticipate experiencing significant difficulty in retaining occupancy of any of our manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy, or in replacing them with equivalent facilities. For information concerning our obligations under all operating leases see Note 11 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of our business, various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, patents, trademarks, personal injury, environmental matters, product liability, insurance coverage and personnel and employment disputes. As to such claims and litigation, we can give no assurance that we will prevail. We do not believe that any current legal matters will have a material adverse effect on our financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the last quarter of the fiscal year ended October 31, 2009.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth (i) the name, age and position of each of our executive officers and (ii) the business experience of each person named in the table during at least the past five years. There is no family relationship among any of our executive officers.

Executive Officer	Age	Position(s)	Business Experience
Ray Stata	75	Chairman of the Board	Chairman of the Board since 1973; Chief Executive Officer from 1973 to November 1996; President from 1971 to November 1991.
Jerald G. Fishman	63	President, Chief Executive Officer and Director	Chief Executive Officer since November 1996; President and Director since November 1991; Executive Vice President from 1988 to November 1991; Group Vice President Components from 1982 to 1988.
David A. Zinsner	40	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer since January 2009; Senior Vice President and Chief Financial Officer Intersil Corporation from 2005 to December 2008; Corporate Controller and Treasurer Intersil Corporation from 1999 to 2005.
Seamus Brennan	58	Vice President, Corporate Controller and Chief Accounting Officer	Vice President, Corporate Controller and Chief Accounting Officer since December 2008; Corporate Controller from 2002 to December 2008; Assistant Corporate Controller from 1997 to 2002; Manager Enterprise System Implementation from 1994 to 1997; Plant Controller, Analog Devices, B.V. Limerick, Ireland from 1989 to 1994.
Samuel H. Fuller	63	Vice President, Research and Development and Chief Technology Officer	Vice President, Research and Development since March 1998; Chief Technology Officer since March 2006; Vice President of Research and Chief Scientist of Digital Equipment Corp. from 1983 to 1998.
Robert R. Marshall	55	Vice President, Worldwide Manufacturing	Vice President, Worldwide Manufacturing since February 1994;

	Vice President, Manufacturing, Limerick Site, Analog Devices, B.V. Limerick, Ireland from November 1991 to February 1994; Plant Manager, Analog Devices, B.V. Limerick, Ireland from January 1991 to November 1991.

Executive Officer	Age	Position(s)	Business Experience
William Matson	50	Vice President, Human Resources	Vice President, Human Resources since November 2006; Chief Human Resource Officer of Lenovo, an international computer manufacturer, from January 2005 to June 2006; General Manager of IBM Business Transformation Outsourcing from September 2003 to April 2005; Vice President, Human Resources of IBM Asia Pacific Region from December 1999 to September 2003.
Robert McAdam	58	Vice President, Core Products and Technologies Group	Vice President, Core Products and Technologies Group since October 2009; Vice President and General Manager, Analog Semiconductor Components from February 1994 to September 2009; Vice President and General Manager, Analog Devices, B.V. Limerick, Ireland from January 1991 to February 1994; Product Line Manager, Analog Devices, B.V. Limerick, Ireland from October 1988 to January 1991.
Vincent Roche	49	Vice President, Strategic Market Segments Group	Vice President, Strategic Market Segments Group since October 2009; Vice President, Worldwide Sales from March 2001 to October 2009; Vice President and General Manager, Silicon Valley Business Units and Computer & Networking from 1999 to March 2001; Product Line Director from 1995 to 1999; Product Marketing Manager from 1988 to 1995.
Margaret K. Seif	48	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since January 2006; Senior Vice President, General Counsel and Secretary of RSA Security Inc. from January 2000 to November 2005; Vice President, General Counsel and Secretary of RSA Security Inc. from June 1998 to January 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol ADI. The tables below set forth the high and low sales prices per share of our common stock on the New York Stock Exchange and the dividends declared for each quarterly period within our two most recent fiscal years.

High and Low Sales Prices of Common Stock

	Fiscal 2009		Fiscal 2008	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$ 22.40	$ 15.29	$ 33.83	$ 26.15
Second Quarter	$ 22.53	$ 17.82	$ 33.93	$ 26.54
Third Quarter	$ 28.21	$ 19.14	$ 36.35	$ 29.35
Fourth Quarter	$ 29.71	$ 25.54	$ 33.53	$ 18.02

Dividends Declared Per Outstanding Share of Common Stock

In fiscal 2009 and fiscal 2008, we paid a cash dividend in each quarter as follows:

Period	**Fiscal 2009**	**Fiscal 2008**
First Quarter	$ 0.20	$ 0.18
Second Quarter	$ 0.20	$ 0.18
Third Quarter	$ 0.20	$ 0.20
Fourth Quarter	$ 0.20	$ 0.20

During the first quarter of fiscal 2010, on November 19, 2009, our Board of Directors declared a cash dividend of $0.20 per outstanding share of common stock. The dividend will be paid on December 23, 2009 to all shareholders of record at the close of business on December 4, 2009. The payment of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is set forth in Item 12 below.

Issuer Purchases of Equity Securities

	Total Number of	Total Number of Shares Purchased as Part of	Approximate Dollar Value of Shares that May Yet Be Purchased

Period	Shares Purchased(a)	Average Price Paid Per Share(b)	Publicly Announced Plans or Programs(c)	Under the Plans or Programs
August 2, 2009 through August 29, 2009				$ 91,614,067
August 30, 2009 through September 26, 2009	1,017	$ 28.39		$ 91,614,067
September 27, 2009 through October 31, 2009	667	$ 28.16		$ 91,614,067
Total	1,684	$ 28.30		$ 91,614,067

(a) Includes 1,684 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) We publicly announced a stock repurchase program 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.

The number of holders of record of our common stock at November 20, 2009 was 3,067. This number does not include shareholders for whom shares are held in a nominee or street name. On October 30, 2009, the last reported sales price of our common stock on the New York Stock Exchange was $25.63 per share.

Comparative Stock Performance Graph

The following graph compares cumulative total shareholder return on our common stock since October 30, 2004 with the cumulative total return of the Standard & Poor s 500 Index and the Standard & Poor s Semiconductors Index. This graph assumes the investment of $100 on October 30, 2004 in our common stock, the S&P 500 Index and the S&P Semiconductors Index and assumes all dividends are reinvested. Measurement points are the last trading day for each respective fiscal year.

ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected financial data for each of our last five fiscal years and includes adjustments to reflect the classification of our Baseband Chipset Business and our CPU voltage regulation and PC thermal monitoring business as discontinued operations. See Note 2u. in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for information on discontinued operations.

(thousands, except per share amounts)	**2009**	**2008**	**2007**	**2006**	**2005**
Statement of Operations data:					
Total revenue from continuing operations	$ 2,014,908	$ 2,582,931	$ 2,464,721	$ 2,250,100	$ 2,037,154
Income from continuing operations, net of tax*	247,408	525,177	502,123	519,175	365,328
Total income (loss) from discontinued operations, net of tax*	364	261,107	(5,216)	30,307	49,459
Net income*	247,772	786,284	496,907	549,482	414,787
Income per share from continuing operations, net of tax*:					
Basic	0.85	1.79	1.55	1.45	0.98
Diluted	0.85	1.77	1.51	1.40	0.95
Net income per share*					
Basic	0.85	2.69	1.54	1.53	1.12
Diluted	0.85	2.65	1.50	1.48	1.08
Cash dividends declared per common share	0.80	0.76	0.70	0.56	0.32
Balance Sheet data:					
Total assets	$ 3,404,294	$ 3,090,992	$ 2,970,942	$ 3,986,851	$ 4,583,211
Long term debt	$ 379,626				

* The Company includes the expense associated with stock options in the statement of income effective in fiscal 2006.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (all tabular amounts in thousands except per share amounts)

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, co variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections regarding our future financial performance, particularly in light of the ongoing global credit and financial market crisis; our anticipated growth and trends in our businesses, our capital needs and capital expenditures; our market position and competitive changes in the marketplace for our products; our ability to innovate new products and technologies; the timing or the effectiveness of our efforts to refocus our operations and reduce our cost structure and the expected amounts of any cost savings related to those efforts; our ability to access credit or capital markets; our ability to pay dividends or repurchase stock; our ability to service our outstanding debt; our expected tax rate; our third-party suppliers; intellectual property and litigation matters; potential acquisitions or divestitures; key personnel; the effect of new accounting pronouncements and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in Part I, Item 1A. Risk Factors and elsewhere in our Annual Report on Form 10-K. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements except to the extent required by law.

During the first quarter of fiscal 2008, we sold our baseband chipset business and related support operations, or Baseband Chipset Business, to MediaTek Inc. and sold our CPU voltage regulation and PC thermal monitoring business to certain subsidiaries of ON Semiconductor Corporation. The financial results of these businesses are presented as discontinued operations in the consolidated statements of income for all periods presented. The assets and liabilities related to these businesses are reflected as assets and liabilities of discontinued operations in the consolidated balance sheets as of October 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

Overview

	Fiscal Year		
	2009	**2008**	**2007**
Total Revenue	$ 2,014,908	$ 2,582,931	$ 2,464,721
Gross Margin %	55.5%	61.1%	61.2%
Net income from Continuing Operations	$ 247,408	$ 525,177	$ 502,123
Net income from Continuing Operations as a % of Total Revenue	12.3%	20.3%	20.4%
Diluted EPS from Continuing Operations	$ 0.85	$ 1.77	$ 1.51
Diluted EPS	$ 0.85	$ 2.65	$ 1.50

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*.

In fiscal year 2009, our revenue decreased 22% from fiscal 2008 and our diluted earnings per share from continuing operations decreased by 52%. Our fiscal 2009 cash flow from operations was $432.1 million, or 21% of revenue. We received net proceeds of $370.4 million during fiscal 2009 from the issuance of long-term debt and had $1,816 million of cash, cash equivalents and short-term investments as of October 31, 2009.

The global credit crisis and current economic conditions could continue to result in cautious customer spending behavior. We cannot predict the severity, duration or precise impact of the economic downturn on our future financial results. Consequently, our reported results for the 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.

	2009			2008		2007*	
	Revenue	**% of Total Product Revenue**	**Y/Y%**	**Revenue**	**% of Total Product Revenue ****	**Revenue**	**% of Total Product Revenue**
Industrial	$ 1,049,158	52%	(24)%	$ 1,386,874	54%	$ 1,323,252	54%
Communications	512,941	25%	(13)%	590,267	23%	477,645	20%
Consumer	400,290	20%	(22)%	512,339	20%	523,793	22%
Computer	52,519	3%	(44)%	93,451	4%	105,031	4%
Total Product Revenue	**$ 2,014,908**	100%	(22)%	**$ 2,582,931**	100%	**$ 2,429,721**	100%
Revenue from one-time IP license						35,000	
Total Revenue	**$ 2,014,908**			**$ 2,582,931**		**$ 2,464,721**	

* The year ended November 3, 2007 was a 53-week year. We follow a 52-week, or 364-day fiscal calendar that results in a 53-week year approximately every seventh year, as occurred in fiscal 2007.

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

Industrial The year-to-year decrease from fiscal 2008 to fiscal 2009 in industrial end market revenue was primarily the result of a broad-based decline in demand in this end market, which was most significant for products sold into the instrumentation, automotive and process controls sectors of this end market. The year-to-year increase from fiscal 2007 to fiscal 2008 in industrial end market revenue was primarily the result of revenue growth in products sold into the instrumentation and automotive sectors and, to a lesser extent, the defense sector. The revenue growth in these sectors was partially offset by a decline in revenue from products used in automatic test equipment.

Communications The year-to-year decrease from fiscal 2008 to fiscal 2009 in communications end market revenue was primarily the result of a decrease in sales of analog products used in basestations, wireless handsets and networking applications. The year-to-year increase from fiscal 2007 to fiscal 2008 in communications end market revenue was primarily the result of revenue growth in sales of analog products used in basestations and wireless handsets.

Consumer The year-to-year decrease from fiscal 2008 to fiscal 2009 in consumer end market revenue was primarily the result of a decrease in demand for products used in home entertainment, digital cameras and video game applications, consistent with the global slowdown in consumer spending. The year-to-year decrease from fiscal 2007 to fiscal 2008 in consumer end market revenue was primarily the result of an increase in revenue from advanced television and digital camera applications that was offset by a decline in revenue from other consumer applications, consistent with the global slowdown in consumer spending.

Computer The year-to-year decrease from fiscal 2008 to fiscal 2009 in computer end market revenue was primarily the result of a general slowdown in the PC market. The year-to-year decrease from fiscal 2007 to fiscal 2008 was primarily the result of broad-based declines in sales of our products into this end market.

Revenue from One-Time IP License During the first quarter of fiscal 2007, we recorded revenue of $35 million received in exchange for licensing of certain intellectual property rights to a third party.

Revenue Trends by Product

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.

	2009			**2008**		**2007***	
	Revenue	**% of Total Product Revenue****	**Y/Y%**	**Revenue**	**% of Total Product Revenue**	**Revenue**	**% of Total Product Revenue****
Converters	$ 960,502	48%	(19)%	$ 1,190,866	46%	$ 1,104,932	45%
Amplifiers	501,759	25%	(25)%	665,585	26%	618,267	25%
Other analog	261,059	13%	(18)%	318,648	12%	334,652	14%
Subtotal analog signal processing	1,723,320	86%	(21)%	2,175,099	84%	2,057,851	85%
Power management & reference	118,247	6%	(18)%	143,698	6%	124,101	5%
Total analog products	**$ 1,841,567**	91%	(21)%	**$ 2,318,797**	90%	**$ 2,181,952**	90%
General purpose DSP	167,133	8%	(29)%	234,946	9%	214,339	9%
Other DSP	6,208	0%	(79)%	29,188	1%	33,430	1%
Total DSP products	**$ 173,341**	9%	(34)%	**$ 264,134**	10%	**$ 247,769**	10%
Total Product Revenue	**$ 2,014,908**	100%	(22)%	**$ 2,582,931**	100%	**$ 2,429,721**	100%
Revenue from one-time IP license						35,000	
Total Revenue	**$ 2,014,908**			**$ 2,582,931**		**$ 2,464,721**	

*

The year ended November 3, 2007 was a 53-week year. We follow a 52-week, or 364-day fiscal calendar that results in a 53-week year approximately every seventh year, as occurred in fiscal 2007.

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

The decrease in revenue from fiscal 2008 to fiscal 2009 was due to declining demand across our product categories in every market that we serve, particularly the industrial and consumer end markets, as a result of an overall decline in the worldwide economy.

The increase in revenue from fiscal 2007 to fiscal 2008 was the result of a broad-based increase in sales across many of our product categories. The increase in sales of converters and amplifiers was primarily attributable to an increase in demand for our products used in the industrial and communications end markets.

Revenue Trends by Geographic Region

The percentage of product sales from continuing operations by geographic region, based upon point of sale, for the last three fiscal years is as follows:

	Fiscal Year		
Region	**2009**	**2008**	**2007**
United States	20%	20%	23%
Rest of North and South America	5%	4%	3%
Europe	25%	26%	24%
Japan	17%	19%	21%
China	19%	16%	13%
Rest of Asia	14%	15%	16%

In fiscal year 2009 the predominant countries comprising Rest of North and South America are Canada and Mexico; the predominant countries comprising Europe are Germany, Sweden and France; and the predominant countries comprising Rest of Asia are Korea, Taiwan and Singapore.

In fiscal year 2008 and fiscal year 2007 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; and the predominant countries comprising Rest of Asia are Taiwan and Korea.

Sales declined in all geographic regions in the fiscal 2009, as compared to fiscal 2008, with sales in Europe and Japan experiencing the largest decline. This decline in sales in Europe was partially attributable to a decline in the automotive end market. The decline in sales in Japan was principally attributable to the general decline in consumer spending as a result of the global economic crisis. The decline in China was smaller than the decline in the other regions primarily due to the strong demand for our products used in China s recent infrastructure build-out of the country s next generation of communication technology.

Gross Margin

	Fiscal Year		
	2009	**2008**	**2007**
Gross Margin	$ 1,118,637	$ 1,577,275	$ 1,508,276
Gross Margin %	55.5%	61.1%	61.2%

Gross margin percentage was lower in fiscal 2009 by 560 basis points as compared to fiscal 2008, primarily as a result of a decrease in sales of $568.0 million and reduced operating levels in our manufacturing facilities that created adverse utilization variances.

Gross margin percentage in fiscal 2008 was lower by 10 basis points from the gross margin recorded in fiscal 2007 primarily as a result of recording revenue in fiscal 2007 of $35 million we received in exchange for the licensing of certain intellectual property rights to a third party with no associated cost of sales.

Stock-based Compensation Expense

As of October 31, 2009, the total compensation cost related to unvested equity awards not yet recognized in our statement of income was approximately $103.4 million (before tax consideration), which we will recognize over a weighted average period of 1.6 years.

During fiscal 2009, our shareholders approved and we completed an employee stock option exchange program (Option Exchange). The Option Exchange provided our eligible employees, except our named executive officers and directors, the opportunity to exchange eligible stock option grants for a smaller number of new stock options, with a lower exercise price, or in some instances, cash, that had approximately the same fair value as the options surrendered.

See Note 3 in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information.

Research and Development (R&D)

	Fiscal Year		
	2009	**2008**	**2007**
R&D Expenses	$ 446,980	$ 533,480	$ 509,553
R&D Expenses as a % of Product Revenue	22.2%	20.7%	21.0%

Research and development, or R&D, expenses in fiscal 2009 decreased $86.5 million, or 16%, from fiscal 2008. This decrease was primarily the result of the actions we took to constrain or permanently reduce operating expenses as well as a decrease in variable compensation expenses.

R&D expenses in fiscal 2008 increased by $23.9 million, or 5%, from the amount recorded in fiscal 2007. This increase was primarily the result of higher employee salary, benefit and variable compensation expenses, which were partially offset by one fewer week of operations in fiscal 2008 than in fiscal 2007 and lower employee stock option 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 (SMG&A)

	Fiscal Year		
	2009	**2008**	**2007**
SMG&A Expenses	$ 333,184	$ 415,682	$ 389,505
SMG&A Expenses as a % of Product Revenue	16.5%	16.1%	16.0%

Selling, marketing, general and administrative, or SMG&A, expenses in fiscal 2009 decreased $82.5 million, or 20%, from fiscal 2008. This decrease was primarily the result of our actions taken to constrain or permanently reduce operating expenses as well as a decrease in variable compensation expenses.

SMG&A expenses increased by $26.2 million, or 7%, in fiscal 2008 as compared to the amount recorded in fiscal 2007. This increase was primarily the result of higher employee salary, benefit and variable compensation expenses, which were partially offset by lower employee stock option expenses and one less week of operations in fiscal 2008 than in fiscal 2007. Fiscal 2007 also included $8.5 million related to the reimbursement of legal expenses we received as a result of the settlement of litigation in fiscal 2007.

Special Charges

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 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 have paid all amounts owed to employees for severance. We do not expect to incur any further charges related to this reorganization action.

Consolidation of a Wafer Fabrication Facility in Limerick

In fiscal 2007, we recorded a special charge of $13.7 million as a result of our decision to only use eight-inch technology at our wafer fabrication facility in Limerick. Certain manufacturing processes and products produced on the Limerick facility s six-inch production line have transitioned to our existing eight-inch production line in Limerick while others have transitioned to external foundries. The charge was for severance and fringe benefit costs recorded under our ongoing benefit plan for 150 manufacturing employees associated with this action. As of October 31, 2009, we still employed 2 of the 150 employees included in this action. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. During fiscal 2008, we 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 fiscal 2009, we recorded additional charges of $1.2 million for clean-up and closure costs that were expensed as incurred. The production in the six-inch wafer fabrication facility ceased during the fourth quarter of fiscal 2009. We do not expect to incur any further charges related to this action. We estimate that the closure of this facility will result in annual cost savings of approximately $25 million per year, which we expect to realize starting in the first quarter of fiscal 2010. We expect these annual savings will be in cost of sales, of which approximately $1 million relates to non-cash depreciation savings.

Reduction of Overhead Infrastructure Costs

During the fourth quarter of fiscal 2007, we recorded a special charge as a result of our decision to either deemphasize or exit certain businesses or products and focus investments in products and end markets where we have better opportunities for profitable growth. In September 2007, we entered into a definitive agreement to sell our Baseband Chipset Business. As a result, we decided to reduce the support infrastructure in manufacturing, engineering and SMG&A to more appropriately reflect our required overhead structure. We terminated the employment of all employees associated with this action and have paid all amounts owed to employees for severance. 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 annual savings of approximately $15 million. 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 under our ongoing benefit plan or statutory requirements at foreign locations for 19 engineering and SMG&A employees. We terminated the employment of all employees associated with this charge and are paying amounts owed to employees for severance as income continuance.

During fiscal 2009, we recorded an additional charge of $30.3 million related to this cost reduction action. Approximately $2.1 million of this charge was for lease obligation costs for facilities that we ceased using during the first quarter of fiscal 2009; approximately $0.9 million was for the write-off of property, plant and equipment; and approximately $0.8 million was for contract termination costs and for clean-up and closure costs that were expensed as incurred. The remaining $26.5 million related to the severance and fringe benefit costs recorded under our ongoing benefit plan or statutory requirements at foreign locations, for 245 manufacturing employees and 302 engineering and SMG&A employees. As of October 31, 2009, we still employed 16 of the 547 employees included in this cost reduction action. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit.

We believe this cost reduction action, which was substantially completed during the second quarter of fiscal 2009, will result in annual savings of approximately $36.4 million once fully implemented. We expect these annual savings will be realized as follows: approximately $31.6 million in SMG&A expenses and approximately

$4.8 million in cost of sales. A portion of these savings is reflected in our results for fiscal year 2009 and the remainder of the savings will be fully reflected in our results by the second quarter of fiscal 2010.

Closure of Wafer Fabrication Facility in Cambridge

During the first quarter of fiscal 2009, we recorded a special charge of $22.1 million as a result of our decision to consolidate our Cambridge, Massachusetts wafer fabrication facility into our existing Wilmington, Massachusetts facility. In connection with the anticipated closure of this facility, we evaluated the recoverability of the facilities manufacturing assets and concluded that there was an impairment of approximately $12.9 million based on the revised period of intended use. The remaining $9.2 million was for severance and fringe benefit costs recorded under our ongoing benefit plan for 175 manufacturing employees and 9 SMG&A employees associated with this action.

We finished production in the Cambridge fabrication facility and began clean-up activity during the fourth quarter of fiscal 2009. During the fourth quarter of fiscal 2009, we reversed approximately $1.8 million of the severance accrual. The accrual reversal was required because 51 employees either voluntarily left the Company or found alternative employment within the Company. In addition, we recorded a special charge of approximately $1.7 million for the impairment of manufacturing assets that were originally going to be moved to our other wafer fabrication facilities, but are no longer needed at those facilities and therefore have no future use. We also recorded a special charge of $0.1 million for clean-up costs as we began our cleanup of the Cambridge fabrication facility at the end of the fourth quarter of fiscal 2009. As of October 31, 2009, we still employed 33 employees included in this action. The remaining employees will continue working during the first quarter of fiscal 2010 on the cleanup and closure of the wafer fabrication facility. These employees must continue to be employed by us until their employment is involuntarily terminated in order to receive the severance benefit. We expect to incur additional expenses, that cannot be precisely determined at this time, related to this action in the first quarter of fiscal 2010 for lease termination, cleanup and closure costs. The lease charge will be taken when we cease using the building and the cleanup and closure costs will be expensed as incurred.

We estimate that the closure of this facility will result in annual cost savings of approximately $41 million per year, expected to be fully realized starting in the third quarter of fiscal 2010. We expect these annual savings to be realized as follows: approximately $40.2 million in cost of sales, of which approximately $4.0 million relates to non-cash depreciation savings, and approximately $0.8 million in SMG&A expenses.

Operating Income from Continuing Operations

	Fiscal Year		
	2009	**2008**	**2007**
Operating income from Continuing Operations	$ 284,817	$ 625,025	$ 568,723
Operating income from Continuing Operations as a % of Total Revenue	14.1%	24.2%	23.1%

The $340.2 million, or 54%, decrease in operating income from continuing operations in fiscal 2009 as compared to fiscal 2008 was primarily the result of a decrease in revenue of $568.0 million, a 560 basis point decrease in gross margin percentage and an increase of $50.6 million in special charges. This decrease in operating income from continuing operations was partially offset by a decrease in R&D and SMG&A expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*.

The $56.3 million, or 10%, increase in operating income in fiscal 2008 as compared to fiscal 2007 was primarily the result of an increase in total revenue of $118.2 million and, to a lesser extent, a decrease in special charges of $37.4 million. This increase in operating income from continuing operations was partially offset by a 10 basis point decrease in gross margin percentage, an increase in operating expenses as more fully described above under the headings *Research and Development* and *Selling, Marketing, General and Administrative*, and the fact that fiscal 2007 included $35 million in non-product revenue that we received in exchange for the licensing of certain intellectual property rights to a third party with no associated cost of sales.

Nonoperating (Income) Expense

	Fiscal Year		
	2009	2008	2007
Interest expense	4,094		
Interest income	(15,621)	(41,041)	(77,007)
Other, net	(1,100)	(36)	(15,727)
Total nonoperating income	$ (12,627)	$ (41,077)	$ (92,734)

Nonoperating income was lower by $28.5 million in fiscal 2009 as compared to fiscal 2008 primarily due to lower interest income earned on investments as a result of lower interest rates in fiscal 2009 as compared to fiscal 2008. In addition, we incurred interest expense during fiscal 2009 as a result of the issuance of $375 million aggregate principal 5.0% senior unsecured notes on June 30, 2009. We entered into an interest rate swap in June 2009 that swaps the fixed rate of the notes to a variable rate based on the three-month LIBOR plus 2.05% (2.34% as of October 31, 2009).

Nonoperating income in fiscal 2008 was lower by $51.7 million as compared to fiscal 2007 primarily as a result of lower average invested cash balances and, to a lesser extent, lower interest rates in fiscal 2008 as compared to fiscal 2007. In addition, other income in fiscal 2007 included $10.5 million we received as part of a litigation settlement and a $7.9 million gain from the sale of an investment.

Provision for Income Taxes

	Fiscal Year		
	2009	2008	2007
Provision for Income Taxes	$ 50,036	$ 140,925	$ 159,553
Effective Income Tax Rate	16.8%	21.2%	24.1%

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 fiscal 2009 was lower compared to our effective tax rate for fiscal 2008 primarily as a result of our recording special charges of $53.7 million in fiscal 2009, a majority of which provided a tax benefit at the higher U.S. tax rate, and as a result of a change in the mix of our income to jurisdictions where income is taxed at a lower rate.

Our effective tax rate for fiscal 2008 was lower by 290 basis points compared to our effective tax rate for fiscal 2007. The 2007 tax rate included the following transactions, which were taxed at the higher U.S. tax rate: the one-time receipt of $35 million associated with the licensing of intellectual property to a third party, $19 million we received from a settlement of litigation and a $7.9 million gain on the sale of an investment. In addition, the 2007 tax rate included tax expense related to the finalization of the accounting for a 2006 acquisition. These items, which had the effect of increasing the 2007 tax rate, were partially offset by a higher R&D credit in fiscal 2007 than in fiscal 2008. In addition to these isolated transactions that impacted our tax rate, a larger percentage of our profits were earned in lower tax jurisdictions during fiscal 2008, as compared to fiscal 2007, causing a decrease in our tax rate.

Income from Continuing Operations, Net of Tax

	Fiscal Year		
	2009	**2008**	**2007**
Income from Continuing Operations, net of tax	$ 247,408	$ 525,177	$ 502,123
Income from Continuing Operations, net of tax as a % of Total Revenue	12.3%	20.3%	20.4%
Diluted EPS from Continuing Operations	$ 0.85	$ 1.77	$ 1.51

Income from continuing operations, net of tax, in fiscal 2009 was lower than in fiscal 2008 by approximately $277.8 million primarily as a result of the $340.2 million decrease in operating income that was partially offset by a lower provision for income taxes in fiscal 2009.

Income from continuing operations, net of tax, in fiscal 2008 was higher than in fiscal 2007 by approximately $23.1 million primarily as a result of the $56.3 million increase in operating income from continuing operations that was partially offset by a $51.7 million decrease in nonoperating income and a lower provision for income taxes in fiscal 2008.

The impact of inflation and foreign currency exchange rate movement on our results of operations during the past three fiscal years has not been significant.

Discontinued Operations

	Fiscal Year		
	2009	**2008**	**2007**
Income (loss) from Discontinued Operations, net of tax	$ 364	$ 12,779	$ (5,216)
Gain on sale of Discontinued Operations, net of tax		248,328	
Total income (loss) from Discontinued Operations, net of tax	$ 364	$ 261,107	$ (5,216)
Diluted earnings (loss) per share from Discontinued Operations	$ 0.00	$ 0.88	$ (0.02)

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, the results of the operations of these businesses have been presented as discontinued operations within the consolidated financial statements.

Acquisitions

In fiscal 2006, we completed a transaction with TTPCom Limited (TTPCom), whereby TTPCom transferred to us intellectual property, engineering resources, and related assets associated with the support and customization of TTPCom s GSM/GPRS/EDGE modem software for use on our existing and future generations of SoftFone® baseband processors. We also acquired development rights for AJAR, TTPCom s advanced applications platform. As a result of this transaction, we became the single point of contact for both hardware and software support for our new and existing wireless handset customers, thus improving our ability to service the needs of individual customers. During fiscal 2007, we paid $6.1 million of contingent consideration related to this acquisition.

In fiscal 2006, we acquired substantially all the outstanding stock of privately-held Integrant Technologies, Inc. (Integrant) of Seoul, Korea. The acquisition enabled us to enter the mobile TV market and strengthened our presence in the Asia region. We paid $8.4 million related to the purchase of shares from the founder of Integrant during the period from July 2007 through July 2009. We recorded these payments as additional goodwill.

In fiscal 2006, we acquired all the outstanding stock of privately-held AudioAsics A/S (AudioAsics) of Roskilde, Denmark. The acquisition of AudioAsics allows us to continue developing low-power audio solutions, while expanding our presence in the Nordic and Eastern European regions. We paid additional cash payments of $3.1 million during fiscal 2009 for the achievement of revenue-based milestones during the period from October 2006 through January 2009, which were recorded as additional goodwill. In addition, in accordance with the terms of the acquisition documents, we paid $3.2 million during fiscal 2009 based on the achievement of technological milestones during the period from October 2006 through January 2009, which were recorded as compensation expense in fiscal 2008. All revenue and technological milestones related to this acquisitions have been met and no additional payments will be made.

We have not provided pro forma results of operations for TTPCom, Integrant and AudioAsics in this report as they were not material to us on either an individual or an aggregate basis. We included the results of operations of each acquisition in our consolidated statement of income from the date of such acquisition.

Liquidity and Capital Resources

	Fiscal Year 2009	2008	2007
Net Cash Provided by Operations	$ 432,148	$ 669,368	$ 820,365
Net Cash Provided by Operations as a % of Total Revenue	21.4%	25.9%	33.3%

At October 31, 2009, cash, cash equivalents and short-term investments totaled $1,816 million, an increase of $506.3 million from the fourth quarter of fiscal 2008. The primary sources of funds for fiscal 2009 were net cash generated from operating activities of $432.1 million and net proceeds of $370.4 million from the issuance of our senior unsecured notes in June 2009. The principal uses of funds for fiscal 2009 were dividend payments of $233.0 million and capital expenditures of $56.1 million.

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. The cash flows from these discontinued operations have been combined with the operating, investing and financing cash flows from continuing operations (i.e. no separate classification of cash flows from discontinued operations) for all periods presented. We believe the absence of the cash flows from these discontinued operations has not and will not have a material impact on our future liquidity and financial position. Additionally, as a result of these dispositions, we reclassified certain assets and liabilities related to these businesses to assets or liabilities of discontinued operations. See Note 2u. in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K for further information regarding these discontinued operations.

	Fiscal Year 2009	2008
Accounts Receivable	$ 301,036	$ 315,290
Days Sales Outstanding*	48	44
Inventory	$ 253,161	$ 314,629
Days Cost of Sales in Inventory*	92	112

* We use the annualized fourth quarter revenue in our calculation of days sales outstanding and we use the annualized fourth quarter cost of sales in our calculation of days cost of sales in inventory.

Accounts receivable at October 31, 2009 decreased $14.3 million, or 5%, from the end of the fourth quarter of fiscal 2008. The decrease in receivables was the result of lower product shipments in the fourth quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008.

Inventory at October 31, 2009 decreased by $61.5 million, or 20%, from the end of the fourth quarter of fiscal 2008. The decrease in inventory, despite a lower level of sales, is primarily a result of significant reductions in external manufacturing spending and additional factory shutdowns in fiscal 2009.

Current liabilities decreased to $386.6 million at October 31, 2009, a decrease of $182.4 million, or 32%, from $569.1 million at the end of fiscal 2008. This decrease was primarily the result of a decrease in accrued liabilities as a result of decreases in compensation and benefit accruals and to a lesser extent a decrease in income taxes payable as a result of lower profits in fiscal 2009 as compared to fiscal 2008.

Net additions to property, plant and equipment including discontinued operations, were $56.1 million in fiscal 2009, $157.4 million in fiscal 2008 and $141.8 million in fiscal 2007. We expect fiscal 2010 capital expenditures to be in the range of $60 million to $70 million.

During fiscal 2009, our Board of Directors declared cash dividends totaling $0.80 per outstanding share of common stock resulting in aggregate dividend payments of $233.0 million. After the end of the fiscal year, on November 19, 2009, our Board of Directors declared a cash dividend of $0.20 per outstanding share of our common stock. The dividend is payable on December 23, 2009 to shareholders of record on December 4, 2009 and is expected to total approximately $58.4 million. The payment of future dividends, if any, will be based on several factors, including our financial performance, outlook and liquidity.

Our common stock repurchase program has been in place since August 2004. In the aggregate, the Board of Directors has authorized us to repurchase $4 billion of our common stock under the program. Under the program, we may repurchase outstanding shares of our common stock from time to time in the open market and through privately negotiated transactions. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized under the program. As of October 31, 2009, we had repurchased a total of approximately 114.7 million shares of our common stock for approximately $3,908.4 million under this program and an additional $91.6 million remains under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. We also from time to time repurchase 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 based on several factors including our financial performance, outlook, liquidity and the amount of cash we have available to us in the United States.

On June 30, 2009, we issued $375 million aggregate principal amount of 5.0% senior unsecured notes due July 1, 2014 (the Notes) with annual interest payments of 5.0% paid in two installments on January 1 and July 1 of each year, commencing January 1, 2010. The net proceeds of the offering were $370.4 million, after issuing at a discount and deducting expenses, underwriting discounts and commissions, which will be amortized over the term of the Notes. We swapped the fixed interest portion of these Notes for a variable interest rate based on the three-month LIBOR plus 2.05% (2.34% as of October 31, 2009). The variable interest payments based on the variable annual rate are payable quarterly. The LIBOR based rate is set quarterly three months prior to the date of the interest payment. The indenture governing the Notes contains covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party. In addition, we have a five-year $165 million unsecured revolving credit facility that expires in May 2013. To date, we have not borrowed under this credit facility but we may borrow in the future and use the proceeds for support of commercial paper issuance, stock repurchases, dividend payments, acquisitions, capital expenditures, working capital and other lawful corporate purposes.

At October 31, 2009, our principal source of liquidity was $1,816 million of cash and cash equivalents and short-term investments. As of October 31, 2009, approximately $412.7 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. 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.

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.

The table below summarizes our contractual obligations and the amounts we owe under these contracts in specified periods as of October 31, 2009:

		Payment due by period			
(thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More than 5 Years**
Contractual obligations:					
Operating leases[a]	$ 80,782	$ 24,735	$ 27,905	$ 9,887	$ 18,255
Long-term debt obligations	375,000			375,000	
Interest payments associated with long-term debt obligations[b]	93,802	18,802	37,500	37,500	
Payments due under interest rate swap agreements[c]	42,447	8,935	17,894	15,618	
Deferred compensation plan[d]	7,940	1,363			6,577
Pension funding[e]	30,050	30,050			
Total	$ 630,021	$ 83,885	$ 83,299	$ 438,005	$ 24,832

(a) Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

(b) These interest payments are expected to be offset by the proceeds from our interest rate swap agreements.

(c) These interest payments are based on a variable interest rate based on the three month LIBOR plus 2.05%. The actual payments will be based on the LIBOR based rate which is set quarterly three months prior to the date of the interest payments plus 2.05%.

(d) These payments relate to obligations under our deferred compensation plan. The deferred compensation plan allows certain members of management and other highly-compensated employees and non-employee directors to defer receipt of all or any portion of their compensation. The amount in the More than 5 Years column of the table represents the remaining total balance under the deferred compensation plan to be paid to participants who have not terminated employment. Since we cannot reasonably estimate the timing of withdrawals for participants who have not yet terminated employment we have included the future obligation to these participants in the More than 5 Years column of the table. All other columns represent installment payments to be made to those employees who have retired or are on long-term disability, or as a result of elections made by plan participants under the provisions of our Deferred Compensation Plan.

(e) Our funding policy for our foreign defined benefit plans is consistent with the local requirements of each country. The payment obligations in the table are estimates of our expected contributions to these plans for fiscal year 2010. The actual future payments may differ from the amounts presented in the table and reasonable estimates of payments beyond one year are not practical because of potential future changes in variables such as plan asset performance, interest rates and the rate of increase in compensation levels.

Purchase orders for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the total amount of these purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. In addition, our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

As of October 31, 2009, our total liabilities associated with uncertain tax positions was $26.2 million, which are included in Other non-current liabilities in our Consolidated Balance Sheet contained in Item 8 of this Annual Report on Form 10-K. Due to the complexity associated with our tax uncertainties, we cannot make a reasonably reliable estimate of the period in which we expect to settle the non-current liabilities associated with these uncertain tax positions. Therefore, we have not included these uncertain tax positions in the above contractual obligations table.

The expected timing of payments and the amounts of the obligations discussed above are estimated based on current information.

Off-balance Sheet Financing

As of October 31, 2009, we had no off-balance sheet financing arrangements.

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.

We are planning for revenue in the first quarter of fiscal 2010 to be approximately flat to the fourth quarter of fiscal 2009. Our plan is for gross margin for the first quarter of fiscal 2010 to increase to approximately 58.0% to 58.5% as a result of lower infrastructure costs and a richer mix of industrial sales. We are planning for operating expenses, excluding one-time restructuring items associated with the closure of our Cambridge wafer fabrication facility, in the first quarter of fiscal 2010 to remain approximately flat to the fourth quarter of fiscal year 2009, in line with our plan to achieve higher operating leverage going forward. As a result, our plan is for diluted EPS from continuing operations to be approximately $0.36 to $0.37 in the first quarter of fiscal 2010, excluding one-time restructuring items associated with the closure of our Cambridge wafer fabrication facility, which cannot be precisely determined at this time.

New Accounting Pronouncements

Revenue Arrangements That Include Software Elements

In October 2009, the FASB issued ASU No. 2009-14 *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* (formerly EITF Issue No. 09-3). This standard removes tangible products from the scope of software revenue recognition guidance and also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are within the scope of the software revenue guidance. More specifically, if the software sold with or embedded within the tangible product is essential to the functionality of the tangible product, then this software, as well as undelivered software elements that relate to this software, are excluded from the scope of existing software revenue guidance. ASU No. 2009-14 is effective for fiscal years that begin on or after June 15, 2010, which is our fiscal year 2011. We are currently evaluating the impact, if any, that ASU No. 2009-14 may have on our financial condition and results of operations.

Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued ASU No. 2009-13 *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (formerly EITF Issue No. 08-1). This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple deliverable revenue arrangements. ASU No. 2009-13 is effective for fiscal years that begin on or after June 15, 2010, which is our fiscal year 2011. We are currently evaluating the impact, if any, that ASU No. 2009-13 may have on our financial condition and results of operations.

Variable Interest Entities

In June 2009, the FASB issued SFAS 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 167 requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity s economic performance. SFAS 167 is effective for fiscal years that begin after November 15, 2009, which is our fiscal year 2011. We are currently evaluating the impact, if any, that SFAS 167 may have on our financial condition and results of operations.

Transfers of Financial Assets

In June 2009, the FASB issued SFAS 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (SFAS 166). SFAS 166 changes the way entities account for securitizations and other transfers of financial instruments. SFAS 166 is effective for fiscal years that begin after November 15, 2009, which is our fiscal year 2011. We are currently evaluating the impact, if any, that SFAS 166 may have on our financial condition and results of operations.

Business Combinations

In December 2007, the FASB issued ASC 805-10 (formerly SFAS 141R, *Business Combinations).* ASC 805-10 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. In April 2009, the FASB updated ASC 805-10 to amend the provisions for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. This update also eliminates the distinction between contractual and non-contractual contingencies. ASC 805-10 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 this rule may have on our financial condition and results of operations. The adoption of ASC 805-10 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 ASC810-10 (formerly SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements).* ASC 810-10 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. This topic 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 this rule may have on our financial condition and results of operations.

Critical Accounting Policies and Estimates

Management s discussion and analysis of the financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future based on available information. We consider the following accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment. If actual results differ significantly from management s estimates and projections, there could be a material effect on our financial statements. We also have other policies that we consider key accounting policies, such as our policy for revenue recognition, including the deferral of revenue on sales to distributors until the products are sold to the end user; however, the application of these policies does not require us to make significant estimates or judgments that are difficult or subjective.

Inventory Valuation

We value inventories at the lower of cost (first-in, first-out method) or market. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology, and product life cycles, we write down inventories to net realizable value. We employ a variety of methodologies to determine the net realizable value of inventory. While a portion of the calculation is determined via reference to the age of inventory and lower of cost or market calculations, an element of the calculation is subject to significant judgments made by us about future demand for our inventory. If actual demand for our products is less than our estimates, additional adjustments to existing inventories may need to be recorded in future periods. To date, our actual results have not been materially different than our estimates, and we do not expect them to be materially different in the future.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts, when appropriate, for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, our actual losses may exceed our estimates, and additional allowances would be required. To date, our actual results have not been materially different than our estimates, and we do not expect them to be materially different in the future.

Long-Lived Assets

We review property, plant, and equipment and 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 that 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. Although we have recognized no material impairment adjustments related to our property, plant, and equipment and identified intangible assets during the past three fiscal years, except those made in conjunction with restructuring actions, deterioration in our business in the future could lead to such impairment adjustments in future periods. Evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations. In addition, in certain instances, assets may not be impaired but their estimated useful lives may have decreased. In these situations, we amortize the remaining net book values over the revised useful lives.

Goodwill

Goodwill is subject to annual impairment tests, or earlier if indicators of potential impairment exist and suggest that the carrying value of goodwill may not be recoverable from estimated discounted future cash flows. We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies, which requires significant judgment by management. If the carrying amount of a reporting unit exceeds the reporting unit s fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit s goodwill with the carrying value of that goodwill. These impairment tests may result in impairment losses that could have a material adverse impact on our results of operations.

Accounting for Income Taxes

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of the recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. We assessed the likelihood of the realization of deferred tax assets and concluded that a valuation allowance is needed to reserve the amount of the deferred tax assets that may not be realized due to the expiration of certain state credit carryovers. In reaching our conclusion, we evaluated certain relevant criteria including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years in the impacted state jurisdictions that can be used to absorb net operating losses and taxable income in future years. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to these deferred tax assets, resulting in a reduction in net income or an increase in net loss in the period when such determinations are made, which in turn, may result in an increase or decrease to our tax provision in a subsequent period.

On November 4, 2007 (the first day of our 2008 fiscal year), we adopted new accounting principles on accounting for uncertain tax positions. These principles requires companies to determine that it is more likely than not that a tax position will be sustained by the appropriate taxing authorities before any benefit can be recorded in the financial statements. An uncertain income tax position is not recognized if it has less than a 50% likelihood of being sustained. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in known facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. A change in these factors would result in the recognition of a tax benefit or an additional charge to the tax 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 and royalty arrangements among related entities. Although we believe our 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 our historical income tax provisions and accruals. In the event our assumptions are incorrect, the differences could have a material impact on our income tax provision and operating results in the period in which such determination is made.

Stock-Based Compensation

Stock-based compensation expense associated with stock options and related awards is recognized in the statement of income. Determining the amount of stock-based compensation to be recorded requires us to develop estimates to be used in calculating the grant-date fair value of stock options. We calculate the grant-date fair values using the Black-Scholes valuation model. The use of valuation models requires us to make estimates of the following assumptions:

Expected volatility We are responsible for estimating volatility and have considered a number of factors, including third-party estimates, when estimating volatility. We currently believe 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, we concluded that: (1) options in our 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 We use historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. We believe that this historical data is currently the best estimate of the expected term of a new option, and that generally, all of our employees exhibit similar exercise behavior. In general, the longer the expected term used in the Black-Scholes valuation model, the higher the grant-date fair value of the option.

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 our Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant of the option. Until such time as our 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.

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. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term forfeitures is distinct from cancellations or expirations and represents only the unvested portion of the surrendered option. Based on an analysis of our historical forfeitures, we have applied an annual forfeiture rate of 4.3% to all unvested stock-based awards as of October 31, 2009. The rate of 4.3% represents the portion that is expected to be forfeited each year over the vesting period. This analysis is re-evaluated quarterly and the forfeiture rate is adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those awards that vest.

Contingencies

From time to time, we receive notices that our products or manufacturing processes allegedly infringe the patent or intellectual property rights of others. We periodically assess each matter to determine if a contingent liability should be recorded. In making this determination, we may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. Based on the information we obtain, combined with our judgment regarding all the facts and circumstances of each matter, we determine whether it is probable that a contingent loss may be incurred and whether the amount of such loss can be reasonably estimated. If a loss is probable and reasonably estimable, we record a contingent loss. In determining the amount of a contingent loss, we consider advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations that may be ongoing, prior case history and other factors. If the judgments and estimates made by us are incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Exposure

Based on our marketable securities and short term investments outstanding as of October 31, 2009 and November 1, 2008, our annual interest income would change by approximately $20 million and $14 million, respectively, for each 100 basis point increase in interest rates.

To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of October 31, 2009, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $3 million incremental decline in the fair market value of the portfolio. As of November 1, 2008, a similar 100 basis point shift in the yield curve would have resulted in a $2 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

In June 2009, we entered into an interest rate swap agreement to hedge the benchmark interest rate of our $375 million 5.0% senior unsecured notes due July 1, 2014. The effect of the swap was to convert our 5.0% fixed interest rate to a variable interest rate based on the three-month LIBOR plus 2.05% (2.34% as of October 31, 2009). If LIBOR changes by 100 basis points, our annual interest expense would change by $3.8 million.

Foreign Currency Exposure

As more fully described in Note 2i. in the Notes to Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K, we regularly hedge our non-U.S. dollar-based exposures by entering into forward foreign currency exchange contracts. The terms of these contracts are for periods matching the duration of the underlying exposure and generally range from one month to twelve months. Currently, our largest foreign currency exposure is the Euro, primarily because our European operations have the highest proportion of our local currency denominated expenses. Relative to foreign currency exposures existing at October 31, 2009 and November 1, 2008, a 10% unfavorable movement in foreign currency exchange rates over the course of the year would not expose us to significant losses in earnings or cash flows because we hedge a high proportion of our year-end exposures against fluctuations in foreign currency exchange rates.

The market risk associated with our derivative instruments results from currency exchange rate or interest rate movements that are expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to our foreign exchange instruments consist of a number of major international financial institutions with high credit ratings. We do not believe that there is significant risk of nonperformance by these counterparties because we continually monitor the credit ratings of such counterparties. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of our exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties obligations under the contracts exceed our obligations to the counterparties.

The following table illustrates the effect that a 10% unfavorable or favorable movement in foreign currency exchange rates, relative to the U.S. dollar, would have on the fair value of our forward exchange contracts as of October 31, 2009 and November 1, 2008:

	October 31, 2009	**November 1, 2008**
Fair value of forward exchange contracts asset (liability)	$ 6,427	$ (23,158)
Fair value of forward exchange contracts after a 10% unfavorable movement in foreign currency exchange rates asset (liability)	$ 20,132	$ (9,457)
Fair value of forward exchange contracts after a 10% favorable movement in foreign currency exchange rates liability	$ (6,781)	$ (38,294)

The calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, such changes typically affect the volume of sales or the foreign currency sales price as competitors products become more or less attractive. Our sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency selling prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF INCOME
Years ended October 31, 2009, November 1, 2008 and November 3, 2007

(thousands, except per share amounts)	2009	2008	2007
Revenue			
Product revenue	$ 2,014,908	$ 2,582,931	$ 2,429,721
Revenue from one-time IP license			35,000
Total revenue	2,014,908	2,582,931	2,464,721
Costs and Expenses			
Cost of sales(1)	896,271	1,005,656	956,445
Gross margin	1,118,637	1,577,275	1,508,276
Operating expenses:			
Research and development(1)	446,980	533,480	509,553
Selling, marketing, general and administrative(1)	333,184	415,682	389,505
Special charges	53,656	3,088	40,495
	833,820	952,250	939,553
Operating income from continuing operations	284,817	625,025	568,723
Nonoperating (income) expenses:			
Interest expense	4,094		
Interest income	(15,621)	(41,041)	(77,007)
Other, net	(1,100)	(36)	(15,727)
	(12,627)	(41,077)	(92,734)
Earnings			
Income from continuing operations before income taxes and minority interest	297,444	666,102	661,457
Provision for income taxes:			
Payable currently	38,441	152,294	162,403
Deferred	11,595	(11,369)	(2,850)
	50,036	140,925	159,553
Minority interest			219
Income from continuing operations, net of tax	247,408	525,177	502,123
Discontinued operations, net of tax:			
Income (loss) from discontinued operations	364	12,779	(5,216)

Gain on sale of discontinued operations		248,328	
Total income (loss) from discontinued operations, net of tax	364	261,107	(5,216)
Net income	$ 247,772	$ 786,284	$ 496,907
Shares used to compute earnings per share Basic	291,385	292,688	323,255
Shares used to compute earnings per share Diluted	292,698	297,110	332,301
Earnings per share Basic			
Income from continuing operations, net of tax	$ 0.85	$ 1.79	$ 1.55
Net income	$ 0.85	$ 2.69	$ 1.54
Earnings per share Diluted			
Income from continuing operations, net of tax	$ 0.85	$ 1.77	$ 1.51
Net income	$ 0.85	$ 2.65	$ 1.50
Dividends declared per share	$ 0.80	$ 0.76	$ 0.70
(1) Includes stock-based compensation expense as follows:			
Cost of sales	$ 7,469	$ 7,806	$ 10,591
Research and development	22,666	23,768	29,347
Selling, marketing, general and administrative	18,478	20,970	27,329

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED BALANCE SHEETS
October 31, 2009 and November 1, 2008

(thousands, except per share amounts)	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 639,729	$ 593,599
Short-term investments	1,176,244	716,087
Accounts receivable less allowances of $1,681 ($5,501 in 2008)	301,036	315,290
Inventories(1)	253,161	314,629
Deferred tax assets	78,740	102,676
Deferred compensation plan investments	1,363	942
Prepaid expenses and other current assets	40,363	40,460
Current assets of discontinued operations		5,894
Total current assets	2,490,636	2,089,577
Property, Plant and Equipment, at Cost		
Land and buildings	395,151	378,187
Machinery and equipment	1,511,822	1,512,984
Office equipment	56,294	63,071
Leasehold improvements	66,847	65,247
	2,030,114	2,019,489
Less accumulated depreciation and amortization	1,553,598	1,452,050
Net property, plant and equipment	476,516	567,439
Other Assets		
Deferred compensation plan investments	6,580	31,099
Other investments	1,485	955
Goodwill	250,881	235,175
Intangible assets, net	6,855	12,300
Deferred tax assets	73,646	65,949
Other assets	35,658	26,461
Non-current assets of discontinued operations	62,037	62,037
Total other assets	437,142	433,976
	$ 3,404,294	$ 3,090,992
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 107,334	$ 130,451

Deferred income on shipments to distributors	149,278	175,358
Income taxes payable	6,445	52,546
Deferred compensation plan liability	1,363	942
Accrued liabilities	122,193	191,307
Current liabilities of discontinued operations		18,454
Total current liabilities	386,613	569,058
Noncurrent Liabilities		
Long-term debt	379,626	
Deferred income taxes	36,232	14,310
Deferred compensation plan liability	6,577	31,800
Other noncurrent liabilities	66,097	55,561
Total noncurrent liabilities	488,532	101,671
Commitments and contingencies (Note 12)		
Shareholders Equity		
Preferred stock, $1.00 par value, 471,934 shares authorized, none outstanding		
Common stock, $0.162/3 par value, 1,200,000,000 shares authorized, 291,861,767 shares issued and outstanding (291,193,451 on November 1, 2008)	48,645	48,533
Retained earnings	2,490,752	2,419,908
Accumulated other comprehensive loss	(10,248)	(48,178)
Total shareholders equity	2,529,149	2,420,263
	$ 3,404,294	$ 3,090,992

(1) Includes $2,718 and $2,632 related to stock-based compensation at October 31, 2009 and November 1, 2008, respectively.

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
Years ended October 31, 2009, November 1, 2008 and November 3, 2007

(thousands)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income
BALANCE, OCTOBER 28, 2006	342,000	$ 57,001	$ 3,378,999	$ (261)
Activity in Fiscal 2007				
Net Income 2007			496,907	
Dividends declared and paid			(228,281)	
Issuance of stock under stock plans and other, net of repurchases	7,291	1,215	107,934	
Tax benefit-stock options			65,131	
Stock-based compensation expense			72,349	
Change in accounting principle related to defined benefit plans				10,361
Other comprehensive income				22,991
Common stock repurchased	(45,937)	(7,656)	(1,639,556)	
BALANCE, NOVEMBER 3, 2007	303,354	50,560	2,253,483	33,091
Activity in Fiscal 2008				
Net Income 2008			786,284	
Dividends declared and paid			(222,530)	
Issuance of stock under stock plans and other, net of repurchases	7,256	1,209	92,946	
Tax benefit-stock options			26,095	
Stock-based compensation expense			50,247	
Other comprehensive loss				(81,269)
Common stock repurchased	(19,417)	(3,236)	(566,617)	
BALANCE, NOVEMBER 1, 2008	291,193	48,533	2,419,908	(48,178)
Activity in Fiscal 2009				
Change in defined benefit plan measurement date			(246)	
Net Income 2009			247,772	
Dividends declared and paid			(232,988)	
Issuance of stock under stock plans and other, net of repurchases	851	142	12,235	
Tax (deficit)-stock options			(810)	
Stock-based compensation expense			48,613	
Other comprehensive income				37,930
Common stock repurchased	(182)	(30)	(3,732)	

BALANCE, OCTOBER 31, 2009	291,862	$	48,645	$	2,490,752	$	(10,248)

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended October 31, 2009, November 1, 2008 and November 3, 2007

(thousands)	2009	2008	2007
Income from continuing operations, net of tax	$ 247,408	$ 525,177	$ 502,123
Foreign currency translation adjustment	14,840	(42,370)	10,640
Net unrealized (losses) gains on securities:			
Net unrealized holding (losses) gains (net of taxes of $347 in 2009, $372 in 2008 and $2,746 in 2007) on securities classified as short-term investments	(2,456)	2,508	5,094
Net unrealized holding gains (losses) (net of taxes of $197 in 2009, $217 in 2008 and $100 in 2007) on securities classified as other investments	366	400	(185)
Net unrealized (losses) gains on securities	(2,090)	2,908	4,909
Derivative instruments designated as cash flow hedges:			
Changes in fair value of derivatives (net of taxes of $5,496 in 2009, $1,622 in 2008 and $846 in 2007)	35,529	(10,663)	5,282
Realized (gain) loss reclassification (net of taxes of $1,609 in 2009, $2,420 in 2008 and $107 in 2007)	(9,657)	(15,912)	665
Net change in derivative instruments designated as cash flow hedges	25,872	(26,575)	5,947
Minimum pension liability adjustment (net of taxes of $0 in 2009, $0 in 2008 and $640 in 2007)			1,495
Accumulated other comprehensive (loss) income pension plans:			
Transition obligation (net of taxes of $1 in 2009 and $4 in 2008)	(34)	(43)	
Net actuarial loss (net of taxes of $287 in 2009 and $1,971 in 2008)	(663)	(15,197)	
Net prior service income (net of taxes of $1 in 2009 and $4 in 2008)	5	8	
Net change in accumulated other comprehensive loss pension plans (net of taxes of $286 in 2009 and $1,963 in 2008)	(692)	(15,232)	
Other comprehensive income (loss)	37,930	(81,269)	22,991
Comprehensive income from continuing operations	285,338	443,908	525,114
Income (loss) from discontinued operations, net of tax	364	261,107	(5,216)
Comprehensive income	$ 285,702	$ 705,015	$ 519,898

On November 3, 2007 as a result of a change in accounting principle related to defined benefit plans the Company recorded a $10.4 million adjustment, net of tax of $1.4 million, to accumulated other comprehensive income. This adjustment has been excluded from the above presentation of comprehensive income for fiscal year 2007.

See accompanying Notes.

ANALOG DEVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended October 31, 2009, November 1, 2008 and November 3, 2007

(thousands)	2009	2008	2007
Operations			
Cash flows from operating activities:			
Net income	$ 247,772	$ 786,284	$ 496,907
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	132,493	144,222	142,173
Amortization of intangibles	7,377	9,250	12,610
Stock-based compensation expense	48,613	50,247	72,652
Gain on sale of business		(248,328)	
Gain on sale of investments			(7,919)
Minority interest			(219)
Non-cash portion of special charges	15,468		438
Other non-cash activity	1,663	310	853
Excess tax benefit stock options	(20)	(18,586)	(40,871)
Deferred income taxes	11,595	(11,369)	(2,850)
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	16,561	48,903	(27,011)
Decrease in inventories	67,347	16,784	16,549
Decrease in prepaid expenses and other current assets	731	6,557	34,890
Decrease (increase) in deferred compensation plan investments	24,097	4,401	(4,755)
(Decrease) increase in accounts payable, deferred income and accrued liabilities	(100,064)	(60,736)	53,693
(Decrease) increase in deferred compensation plan liability	(24,801)	(3,811)	4,811
Income tax payments related to gain on sale of businesses	(4,105)	(110,401)	
(Decrease) increase in income taxes payable	(24,909)	41,443	53,119
Increase in other liabilities	12,330	14,198	15,295
Total adjustments	184,376	(116,916)	323,458
Net cash provided by operating activities	432,148	669,368	820,365
Investing Activities			
Cash flows from investing:			
Purchases of short-term available-for-sale investments	(2,787,141)	(1,831,363)	(1,807,476)
Maturities of short-term available-for-sale investments	2,324,181	1,774,391	2,943,468
Additions to property, plant and equipment, net	(56,095)	(157,408)	(141,810)
Proceeds from sale of investment			8,003
Net (expenditures) proceeds from sale of businesses	(1,653)	403,181	
Payments for acquisitions	(8,360)	(3,146)	(9,160)
(Increase) decrease in other assets	(5,661)	2,708	(8,438)

Net cash (used) provided by investing activities	(534,729)	188,363	984,587
Financing Activities			
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	370,350		
Dividend payments to shareholders	(232,988)	(222,530)	(228,281)
Repurchase of common stock	(3,762)	(569,853)	(1,647,212)
Net proceeds from employee stock plans	12,377	94,155	109,149
Other financing activities		(366)	
Excess tax benefit stock options	20	18,586	40,871
Net cash provided (used) by financing activities	145,997	(680,008)	(1,725,473)
Effect of exchange rate changes on cash	2,714	(9,096)	1,546
Net increase in cash and cash equivalents	46,130	168,627	81,025
Cash and cash equivalents at beginning of year	593,599	424,972	343,947
Cash and cash equivalents at end of year	$ 639,729	$ 593,599	$ 424,972

See accompanying Notes.

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2009, November 1, 2008 and November 3, 2007
(all tabular amounts in thousands except per share amounts)

1. Description of Business

Analog Devices, Inc. (Analog Devices or the Company) is a world leader in the design, manufacture and technical support of high-performance analog, mixed-signal and digital signal processing integrated circuits used in industrial, communication, computer and consumer applications. Since the Company s inception in 1965, it has focused on solving the engineering challenges associated with signal processing in electronic equipment. The Company s signal processing products convert real-world phenomena such as light, sound, temperature, motion and pressure into electrical signals to be used in a wide array of electronic equipment. Used by over 60,000 customers worldwide, the Company s products are embedded inside many types of electronic equipment including industrial process controls, factory automation systems, defense electronics, portable wireless communications devices, cellular basestations, central office networking equipment, computers, automobiles, medical equipment, digital cameras and digital televisions. Signal processing technology is a critical element of high-speed communications, digital entertainment, and other consumer, computer and industrial applications. As new generations of digital applications evolve, they generate new needs for high-performance analog signal processing, digital signal processing, or DSP, and power management technology. The Company produces a wide range of products to address the sensing, conditioning, conversion, processing, and power needs of a broad base of customers.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Upon consolidation, all intercompany accounts and transactions are eliminated. Amounts pertaining to the non-controlling ownership interest held by a third party in the operating results and financial position of the Company s majority-owned subsidiaries are reported as minority interest. The Company s fiscal year is the 52-week or 53-week period ending on the Saturday closest to the last day in October. Fiscal year 2009 and fiscal year 2008 were 52-week periods and fiscal year 2007 was a 53-week period. Certain amounts reported in previous years have been reclassified to conform to the fiscal 2009 presentation. Such reclassifications were immaterial.

During the first quarter of fiscal 2008, 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. 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 October 31, 2009 and November 1, 2008. The historical results of operations of these businesses have been segregated from the Company s consolidated financial statements and are included in income (loss) from discontinued operations, net of tax, in the consolidated statements of income.

b. Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less at the time of acquisition. Cash, cash equivalents and short-term investments consist primarily of corporate obligations such as commercial paper and corporate bonds and institutional money market funds. They also include bank time deposits.

The Company classifies its investments in readily marketable debt and equity securities as held-to-maturity, available-for-sale or trading at the time of purchase. There were no transfers between investment classifications in any of the fiscal years presented. Held-to-maturity securities, which are carried at amortized cost, include only those securities the Company has the positive intent and ability to hold to maturity. Securities, such as bank time deposits, which by their nature are typically held to maturity, are classified as such. The Company s other readily

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

marketable cash equivalents and short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, reported in accumulated other comprehensive (loss) income. The Company s deferred compensation plan investments are classified as trading.

See Note 7 for additional information on the Company s deferred compensation plan investments. No realized gains or losses were recorded during any of the fiscal years presented.

The Company periodically evaluates these investments for impairment. There were no other-than-temporary impairments of short-term investments in any of the fiscal years presented.

There were no unrealized losses on available-for-sale securities classified as short-term investments at October 31, 2009 and November 1, 2008.

Unrealized gains on available-for-sale securities classified as short-term investments at October 31, 2009 and November 1, 2008 were as follows:

	2009	2008
Unrealized gains on securities classified as short term investments	$ 4	$ 2,807

Unrealized gains in 2009 and 2008 relate to corporate obligations.

There were no cash equivalents or short-term investments classified as trading at October 31, 2009 and November 1, 2008. All of the Company s short-term investments were classified as available-for-sale. All short-term securities at October 31, 2009 have maturities less than one year. The components of the Company s cash, cash equivalents and short-term investments as of October 31, 2009 and November 1, 2008 were as follows:

	2009	2008
Cash and cash equivalents:		
Cash	$ 30,744	$ 27,910
Available-for-sale:		
Institutional money market funds	553,295	197,735
Corporate obligations	50,981	321,200
Held-to-maturity:		
Euro time deposits	4,709	46,754
Total cash and cash equivalents	$ 639,729	$ 593,599
Short-term investments:		
Securities with one year or less to maturity:		

Corporate obligations	$ 1,176,244	$ 716,087
Total short-term investments	$ 1,176,244	$ 716,087

The amortized cost of the Company s investments classified as corporate obligations as of October 31, 2009 and November 1, 2008 was $1,137.9 million and $991.3 million, respectively.

c. Supplemental Cash Flow Statement Information

	2009	**2008**	**2007**
Cash paid during the fiscal year for:			
Income taxes	$ 60,609	$ 201,974	$ 102,349
Interest	$ 2,502	$	$

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

d. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. The valuation of inventory requires the Company to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The Company employs a variety of methodologies to determine the net realizable value of its inventory. While a portion of the calculation to record inventory at its net realizable value is based on the age of the inventory and lower of cost or market calculations, a key factor in estimating obsolete or excess inventory requires the Company to estimate the future demand for its products. If actual demand is less than the Company s estimates, impairment charges, which are recorded to cost of sales, may need to be recorded in future periods. Inventory in excess of saleable amounts is not valued, and the remaining inventory is valued at the lower of cost or market.

Inventories at October 31, 2009 and November 1, 2008 were as follows:

	2009	2008
Raw materials	$ 13,373	$ 15,350
Work in process	173,696	200,436
Finished goods	66,092	98,843
Total inventories	$ 253,161	$ 314,629

e. Property, Plant and Equipment

Property, plant and equipment is recorded at cost less allowances for depreciation. The straight-line method of depreciation is used for all classes of assets for financial statement purposes; both straight-line and accelerated methods are used for income tax purposes. Leasehold improvements are amortized based upon the lesser of the term of the lease or the useful life of the asset. Repairs and maintenance charges are expensed as incurred. Depreciation and amortization are based on the following useful lives:

Buildings & building equipment	Up to 25 years
Machinery & equipment	3-8 years
Office equipment	3-8 years

Depreciation expense from continuing operations of property, plant and equipment was $132 million, $144 million and $139 million in fiscal 2009, 2008 and 2007, respectively.

The Company reviews property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amount to the 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. If such assets are not impaired, but their useful lives have decreased, the remaining net book value is amortized over the revised useful life.

f. Goodwill and Intangible Assets

Goodwill

The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances suggest that the carrying value of goodwill may not be recoverable. The Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the fourth quarter or more frequently if indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit s fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit s goodwill with the carrying value of that goodwill. No impairment of goodwill resulted from the Company s most recent evaluation of goodwill for impairment, which occurred in the fourth quarter of fiscal 2009. 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 2010 unless indicators arise that would require the Company to reevaluate at an earlier date. The following table presents the changes in goodwill during fiscal 2009 and 2008:

	2009	**2008**
Balance at beginning of year	$ 235,175	$ 279,469
Acquisition of AudioAsics(1)	3,071	
Acquisition of Integrant Technologies(2)	2,098	2,988
Goodwill allocated to sale of businesses(3)		(12,649)
Foreign currency translation adjustment	10,537	(34,633)
Balance at end of year	$ 250,881	$ 235,175

(1) The Company made its final milestone payment related to this 2006 acquisition in the second quarter of fiscal 2009.

(2) The Company purchased the remaining outstanding minority shares related to this 2006 acquisition during fiscal 2008 and fiscal 2009, which resulted in an additional $3.0 million and $2.1 million, respectively, of goodwill.

(3) The Company allocated $12.6 million of goodwill in connection with the sale of its Baseband Chipset Business to MediaTek Inc. and the sale of its CPU voltage regulation and PC thermal monitoring business to ON Semiconductor Corporation in fiscal 2008.

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:

	October 31, 2009		November 1, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology-based	$ 39,924	$ 34,213	$ 36,516	$ 25,731
Tradename	1,478	1,478	1,438	1,430
Customer relationships	5,181	4,037	4,529	3,022
Other	6,582	6,582	6,534	6,534
Total	$ 53,165	$ 46,310	$ 49,017	$ 36,717

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intangible assets are amortized on a straight-line basis over their estimated useful lives or on an accelerated method of amortization that is expected to reflect the estimated pattern of economic use. The remaining amortization expense will be recognized over a weighted-average period of approximately 0.9 years.

Amortization expense from continuing operations, related to intangibles was $7.4 million, $9.3 million and $9.2 million in fiscal 2009, 2008 and 2007, respectively.

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

Fiscal Years	Amortization Expense
2010	$ 5,425
2011	$ 1,430

g. Grant Accounting

Certain of the Company s foreign subsidiaries have received various grants from governmental agencies. These grants include capital, employment and research and development grants. Capital grants for the acquisition of property and equipment are netted against the related capital expenditures and amortized as a credit to depreciation expense over the useful life of the related asset. Employment grants, which relate to employee hiring and training, and research and development grants are recognized in earnings in the period in which the related expenditures are incurred by the Company.

h. Translation of Foreign Currencies

The functional currency for the Company s foreign sales and research and development operations is the applicable local currency. Gains and losses resulting from translation of these foreign currencies into U.S. dollars are recorded in accumulated other comprehensive (loss) income. Transaction gains and losses and remeasurement of foreign currency denominated assets and liabilities are included in income currently, including those at the Company s principal foreign manufacturing operations where the functional currency is the U.S. dollar. Foreign currency transaction gains or losses included in other expenses, net, were not material in fiscal 2009, 2008 or 2007.

i. Derivative Instruments and Hedging Agreements

Foreign Exchange Exposure Management The Company enters into forward foreign currency exchange contracts to offset certain operational and balance sheet exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company s operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Euro; other exposures include the Philippine Peso and the British Pound. These foreign currency exchange contracts are entered into to support transactions made in the normal course of business, and accordingly, are not speculative in nature. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness monthly. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. As the terms of the contract and the underlying transaction are matched at inception, forward contract effectiveness is calculated by comparing the change in fair value of the contract to the change in the forward value of the anticipated transaction, with the effective portion of the gain or loss on the derivative instrument reported as a component of accumulated other comprehensive (loss) income (OCI) in shareholders equity and reclassified into earnings in the same period during which the hedged transaction affects earnings. Any residual change in fair value of the instruments, or ineffectiveness, is recognized immediately in other income/expense. Additionally, the Company enters into forward foreign currency contracts that economically hedge the gains and losses generated by the remeasurement of certain recorded assets and liabilities in a non-functional currency. Changes in the fair value of these undesignated hedges are recognized in other income/expense immediately as an offset to the changes in the fair value of the asset or liability being hedged.

ANALOG DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of October 31, 2009, the total notional amount of these undesignated hedges was $38 million. The fair value of these hedging instruments in the Company s condensed consolidated balance sheet as of October 31, 2009 was immaterial.

Interest Rate Exposure Management On June 30, 2009, the Company entered into interest rate swap transactions related to its outstanding notes where the Company swapped the notional amount of its $375 million of fixed rate debt at 5.0% into floating interest rate debt through July 1, 2014. Under the terms of the swaps, the Company will (i) receive on the $375 million notional amount a 5.0% annual interest payment that is paid in two installments on the 1st of every January and July, commencing January 1, 2010 through and ending on the maturity date; and (ii) pay on the $375 million notional amount an annual three-month LIBOR plus 2.05% (2.34% as of October 31, 2009) interest payment, payable in four installments on the 1st of every January, April, July and October, commencing on October 1, 2009 and ending on the maturity date. The LIBOR based rate is set quarterly three months prior to the date of the interest payment. The Company designated these swaps as fair value hedges. The fair value of the swaps at inception were zero and subsequent changes in the fair value of the interest rate swaps were reflected in the carrying value of the interest rate swaps on the balance sheet. The carrying value of the debt on the balance sheet was adjusted by an equal and offsetti