SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 1, 1998

OR

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

For the Transition period from_______________ to ________________

Commission File No. 1-7819

Analog Devices, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

The number of shares outstanding of each of the issuer's classes of Common Stock as of August 28, 1998 was 162,611,880 shares of Common Stock.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(thousands except per share amounts)

	Three Months Ended	
	August 1, 1998	August 2, 1997
Net sales	$294,920	$318,139
Cost of sales	161,522	158,901
Gross margin	133,398	159,238
Operating expenses:		
Research and development	55,088	49,895
Selling, marketing, general and administrative	48,202	48,939
Restructuring charge	17,000	--
Operating income	13,108	60,404
Equity in loss (income) of WaferTech	3,560	(85)
Interest and other expense, net	(794)	(803)
Income before income taxes	10,342	61,292
Provision for income taxes	1,551	15,323
Net income	$ 8,791	$ 45,969
Shares used to compute basic earnings per share	162,451	159,796
Basic earnings per share	$ 0.05	$ 0.29
Shares used to compute diluted earnings per share	178,546	177,773
Diluted earnings per share	$ 0.06	$ 0.27

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(thousands except per share amounts)

	Nine Months Ended	
	August 1, 1998	August 2, 1997
Net sales	$958,750	$911,015
Cost of sales	490,103	457,372
Gross margin	468,647	453,643
Operating expenses:		
Research and development	166,253	143,367
Selling, marketing, general and administrative	160,862	140,929
Restructuring charge	17,000	--
Gain on sale of business, net	(13,100)	--
Operating income	137,632	169,347
Equity in loss of WaferTech	7,065	609
Interest and other expense, net	(1,780)	(951)
Income before income taxes	132,347	169,689
Provision for income taxes	30,832	42,422
Net income	$101,515	$127,267
Shares used to compute basic earnings per share	161,866	159,008
Basic earnings per share	$ 0.63	$ 0.81
Shares used to compute diluted earnings per share	178,706	176,609
Diluted earnings per share	$ 0.60	$ 0.75

See accompanying notes.

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

Assets	August 1, 1998	November 1, 1997	August 2, 1997
Cash and cash equivalents	$ 261,705	$ 289,601	$ 235,699
Short-term investments	38,792	51,006	80,770
Accounts receivable, net	211,583	255,886	246,680
Inventories:			
Finished goods	109,565	66,253	59,953
Work in process	135,091	128,187	135,082
Raw materials	27,714	31,526	26,823
	272,370	225,966	221,858
Deferred tax assets	66,910	54,761	55,800
Prepaid expenses	18,233	18,209	15,402
Total current assets	869,593	895,429	856,209
Property, plant and equipment, at cost:			
Land and buildings	158,729	145,952	144,744
Machinery and equipment	1,034,437	938,602	893,452
Office equipment	65,444	58,714	56,054
Leasehold improvements	100,265	87,407	83,440
	1,358,875	1,230,675	1,177,690
Less accumulated depreciation and amortization	644,907	569,040	548,600
Net property, plant and equipment	713,968	661,635	629,090
Investments	190,051	131,468	122,081
Intangible assets, net	16,525	14,768	15,280
Other assets	51,720	60,553	42,074
Total other assets	258,296	206,789	179,435
	$1,841,857	$1,763,853	$1,664,734

See accompanying notes.

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

Liabilities and Stockholders' Equity	August 1, 1998	November 1, 1997	August 2, 1997
Short-term borrowings and current portion of long-term debt	$ 1,922	$ --	$ 1,458
Obligations under capital leases	12,065	11,733	11,625
Accounts payable	64,379	97,654	83,814
Deferred income on shipments to domestic distributors	46,512	37,013	32,874
Income taxes payable	63,647	52,550	68,570
Accrued liabilities	80,837	75,444	65,933
Total current liabilities	269,362	274,394	264,274
Long-term debt	309,985	310,000	310,000
Noncurrent obligations under capital leases	29,831	38,852	41,703
Deferred income taxes	24,499	20,740	21,000
Other noncurrent liabilities	38,511	31,737	19,587
Total noncurrent liabilities	402,826	401,329	392,290
Commitments and Contingencies			
Stockholders' equity:			
Preferred stock, $1.00 par value, 500,000 shares authorized, none outstanding	--	--	--
Common stock, $.16 2/3 par value, 600,000,000 shares authorized, 163,927,212 shares issued (161,941,094 in November 1997, 161,296,898 in August 1997)	27,322	26,991	26,883
Capital in excess of par value	232,437	223,885	194,909
Retained earnings	933,099	831,584	780,632
Cumulative translation adjustment	6,925	6,724	6,062
	1,199,783	1,089,184	1,008,486
Less 1,309,917 shares in treasury, at cost (35,094 in November 1997 and 10,186 in August 1997)	30,114	1,054	316
Total stockholders' equity	1,169,669	1,088,130	1,008,170
	$1,841,857	$1,763,853	$1,664,734

See accompanying notes

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

	Nine Months Ended	
	August 1, 1998	August 2, 1997
OPERATIONS		
Cash flows from operations:		
Net income	$ 101,515	$ 127,267
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	93,310	75,556
Noncash portion of restructuring charge	10,000	--
Equity in loss of WaferTech	7,065	609
Deferred income taxes	3,754	4,016
Other	(1,192)	(807)
Changes in operating assets and liabilities	(17,252)	(21,556)
Total adjustments	95,685	57,818
Net cash provided by operations	197,200	185,085
INVESTMENTS		
Cash flows from investments:		
Additions to property, plant and equipment, net	(143,986)	(119,121)
Maturities of short-term investments available for sale	123,949	124,224
Purchases of short-term investments available for sale	(111,735)	(115,184)
Long-term investments	(63,191)	(52,911)
Increase in other assets	(2,142)	(16,095)
Net cash used for investments	(197,105)	(179,087)
FINANCING ACTIVITIES		
Cash flows from financing activities:		
Repurchase of common stock	(44,717)	--
Proceeds from employee stock plans	22,507	16,605
Payments on capital lease obligations	(8,688)	(8,421)
Proceeds from equipment financing	--	7,123
Net increase (decrease) in variable rate borrowings	1,920	(2,500)
Net cash (used by) provided by financing activities	(28,978)	12,807
Effect of exchange rate changes on cash	987	6,785
Net (decrease) increase in cash and cash equivalents	(27,896)	25,590
Cash and cash equivalents at beginning of period	289,601	210,109
Cash and cash equivalents at end of period	$ 261,705	$ 235,699
SUPPLEMENTAL INFORMATION		
Cash paid during the period for:		
Income taxes	$ 21,125	$ 24,389
Interest	$ 12,345	$ 12,760

See accompanying notes.

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements
August 1, 1998

Note 1 - In the opinion of management, the information furnished in the accompanying financial statements reflects all adjustments which are necessary to fairly state the results for this interim period and should be read in conjunction with the most recent Annual Report to Stockholders.

Note 2 - Certain amounts reported in the previous year have been reclassified to conform to the 1998 presentation.

Note 3 - Investments

During the first quarter of fiscal 1998 the Company made the final payment of $56 million in connection with its joint venture with Taiwan Semiconductor Manufacturing Company ("TSMC") and other investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington ("WaferTech"). The Company has invested $140 million in WaferTech and has an 18% equity ownership in the joint venture.

Note 4 - Gain on Sale of Business

During the second quarter of fiscal 1998, the Company completed the sale of its disk drive IC business to Adaptec, Inc. This disposal is in line with the Company's strategic decision to concentrate on other areas of its business, specifically analog ICs and DSP products. The Company received approximately $27 million in cash for the disk drive product line and after providing for the write-off of inventory, fixed assets and other costs incurred to complete the transaction, recorded a net gain of approximately $13 million. The Company has entered into other arrangements with Adaptec that provide for payments to the Company aggregating $13 million for assisting Adaptec in future research and development efforts and up to $20 million in royalties based on sales by Adaptec of products incorporating the acquired ADI technology.

Note 5 - Restructuring Charge

The Company recorded a restructuring charge of $17 million during the third quarter of fiscal 1998. Seven million of this charge relates to a worldwide workforce reduction of approximately 350 employees in the manufacturing, selling and G&A areas. As a result of a review of its business strategies, the Company is scaling back its efforts in certain business areas and has written off $10 million, which is the carrying value of specific assets associated with these businesses.

Note 6 - Common Stock Repurchase

During the third quarter of fiscal 1998 the Company was authorized by the Board of Directors to repurchase up to a maximum of 4 million shares of its outstanding common stock. As of August 1, 1998 the Company had purchased approximately 1,816,300 shares of stock for $44.7 million. The Company expects to purchase the remaining 2.2 million shares as market conditions allow. The repurchased shares will be held as treasury shares and will be available for issuance under the Company's stock option plans, employees stock purchase plan and other stock benefit plans.

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
August 1, 1998

Note 7 - Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share", which the Company adopted in the first quarter of fiscal 1998. The Company changed the method used to compute earnings per share and will restate all prior periods. Under the new requirements, primary and fully diluted earnings per share were replaced by basic and diluted earnings per share. Basic earnings per share is computed based only on the weighted average number of common shares outstanding during the period and the dilutive effect of future issues of common stock relating to stock option programs and convertible debt financing is excluded. Diluted earnings per share is computed essentially in the same manner as fully diluted earnings per share with some exceptions. The primary exception affecting the Company's calculation of diluted EPS is that the dilutive effect of stock options is always based on the average market price of the stock during the period, not the higher of the average and period end market price which was required under APB 15. The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended	
	August 1, 1998	August 2, 1997
Net income	$ 8,791	$ 45,969
Weighted average common shares outstanding	162,451	159,796
BASIC EARNINGS PER SHARE	$ 0.05	$ 0.29
Net income	$ 8,791	$ 45,969
Interest related to convertible subordinated notes, net of tax	1,411	1,425
Earnings available for common stock	$ 10,202	$ 47,394
Weighted average common shares outstanding	162,451	159,796
Assumed exercise of common stock equivalents	5,111	6,992
Assumed conversion of subordinated notes	10,984	10,985
Weighted average common and common equivalent shares	178,546	177,773
DILUTED EARNINGS PER SHARE	$ 0.06	$ 0.27

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
August 1, 1998

Note 7 - Earnings Per Share (Continued)

	Nine Months Ended	
	August 1, 1998	August 2, 1997
Net income	$101,515	$127,267
Weighted average common shares outstanding	161,866	159,008
BASIC EARNINGS PER SHARE	$ 0.63	$ 0.81
Net income	$101,515	$127,267
Interest related to convertible subordinated notes, net of tax	4,275	4,275
Earnings available for common stock	$105,790	$131,542
Weighted average common shares outstanding	161,866	159,008
Assumed exercise of common stock equivalents	5,856	6,616
Assumed conversion of subordinated notes	10,984	10,985
Weighted average common and common equivalent shares	178,706	176,609
DILUTED EARNINGS PER SHARE	$ 0.60	$ 0.75

Note 8 - New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes standards for accounting and reporting of derivative instruments for periods beginning after June 15, 1999 and early adoption is permitted. FAS 133 requires that all derivative instruments be recognized in the balance sheet as either assets or liabilities and measured at fair value. Furthermore, FAS 133 requires current recognition in earnings of changes in the fair value of derivative instruments depending on the intended use of the derivative and the resulting designation. The Company has not determined the timing of adopting FAS 133 or the impact of such adoption on its financial statements.

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

This information should be read in connection with the unaudited consolidated condensed financial statements and the notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Analysis for the fiscal year ended November 1, 1997, contained in the Annual Report on Form 10-K.

The following discussion and analysis may contain forward-looking statements. Such statements are subject to certain risks and uncertainties, including those discussed below or in the Company's Form 10-K for the fiscal year ended November 1, 1997, that could cause actual results to differ materially from the Company's expectations. Readers are cautioned not to place undue reliance on any forward-looking statements, as they reflect management's analysis only as of the date hereof. The Company undertakes no obligation to release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Net sales for the third quarter of fiscal 1998 were $295 million, a decrease of 7% from the $318 million reported for the third quarter of fiscal 1997. Net sales for the first three quarters of fiscal 1998 were $959 million, an increase of 5% from the $911 million reported for the comparable period of fiscal 1997. The decrease from the third quarter of fiscal 1997 was primarily due to a decline in sales of SLIC products, the sale of the disk drive IC business in the second quarter of fiscal 1998 and the decline in demand for GSM chipsets. The decline in sales of SLIC products primarily occurred in the distributor channel as the distributors adjusted their order patterns in recognition of their higher inventory levels relative to current demand levels. These decreases were partially offset by increases in the DSP based business. Consistent with the current market environment for the industry, the Company has experienced diminished backlog and a softening of demand for its products, which has resulted in increased levels of inventory and more dependence on orders that are received and shipped in the same quarter.

The gross margin for the third quarter of fiscal 1998 was 45.2%, compared to 50.1% for the third quarter of fiscal 1997. The gross margin was 48.9% for the first three quarters of fiscal 1998 compared to 49.8% for the first three quarters of fiscal 1997. The decline in gross margin was primarily due to lower demand combined with a reduction in production rates. The Company anticipates gross margins to remain at a depressed level until sales volumes increase.

Research and development expenses ("R&D") were $55 million and $166 million for the three months and nine months ended August 1, 1998, compared to $50 million and $143 million for the corresponding periods of fiscal 1997. While the Company believes that a continued commitment to research and development is essential in order to maintain product leadership with its existing products and to provide innovative new product offerings, during the third quarter of fiscal 1998 the Company began to curtail the growth in R&D spending and reduced R&D expense from $56 million in the second quarter of fiscal 1998, to $55 million in the third quarter of 1998. The Company has undertaken a review of its DSP strategy and concluded that the key to success in the DSP market is the continued active pursuit of opportunities in the general-purpose DSP market and a narrower focus on carefully selected opportunities in vertical market segments that can provide consistent growth and generate high, sustainable margin.

Selling, marketing, general & administrative ("SMG&A") expenses for the third quarter of fiscal 1998 were $48.2 million a decrease of $.7 million from the $48.9 million reported for third quarter of fiscal 1997. This decrease is a result of a concerted effort to constrain spending during a period of weakness in demand. SMG&A expense for the nine months ended August 1, 1998 were $161 million, an increase of $20 million from the $141 million for the nine months ended August 2, 1997. This increase was primarily attributable to a charge of $6 million recorded in the second quarter related to the consolidation and realignment of the Company's North American third-party distribution channel and initiatives to streamline the Company's cost structure, along with a $8 million charge related to bad debt reserves recorded in the first quarter of fiscal 1998.

The Company recorded a restructuring charge of $17 million during the third quarter of fiscal 1998. Seven million of this charge relates to a worldwide workforce reduction of approximately 350 employees in the manufacturing, selling and G&A areas. This action will result in an annual savings of approximately $10 million, and will commence during the fourth quarter of fiscal 1998. In addition, the Company has undertaken a review of its business strategy and concluded that the key to success in the DSP market is the continued active pursuit of opportunities in the general-purpose DSP market and a narrower focus on carefully selected opportunities in vertical market segments that can provide consistent growth and generate high, sustainable margins. As a result of this review the Company is scaling back its efforts in certain business areas and has written off $10 million, which is the carrying value of specific assets associated with these businesses.

The effective income tax rate decreased to 15% for the third quarter and 23% for the first nine month period of fiscal 1998 from 25% for the third quarter and first nine month period of fiscal 1997 due to a shift in the mix of worldwide profits.

Net income for the third quarter of fiscal 1998 of $9 million decreased $37 million compared to the third quarter of fiscal 1997. Net income for the first nine months of fiscal 1998 of $102 million decreased $26 million compared to the first nine months of fiscal 1997. Diluted earnings per share were $0.06 and $0.60 for the three months and nine months ended August 1, 1998, compared to $0.27 and $0.75 for the comparable periods of fiscal 1997.

Liquidity and Capital Resources

At August 1, 1998, cash, cash equivalents and short-term investments totaled $300 million. The Company's primary source of funds for the first nine months of fiscal 1998 was $197 million of cash provided by operations. The principal uses of funds in the first nine months of fiscal 1998 were $45 million used to repurchase common stock, a $56 million payment made in connection with the Company's joint venture agreement with TSMC and others and the purchase of $144 million of property, plant and equipment.

Accounts receivable totaled $212 million at the end of the third quarter of fiscal 1998, a decrease of $44 million from the fourth quarter of fiscal 1997 and $35 million from the third quarter of fiscal 1997. The number of days sales outstanding has consistently decreased to 65 days for the third quarter of fiscal 1998, compared to 71 and 70 for the third and fourth quarters of fiscal 1997, respectively.

Inventories of $272 million at August 1, 1998 rose $46 million compared to the fourth quarter of fiscal 1997 and were $51 million above the third quarter of fiscal 1997. The increase in inventory levels was a result of the Company running its factories during the first half of the year at production rates which turned out to be higher than the levels of incoming demand. The Company is adjusting production rates to be more in-line with current levels of demand.

Net additions to property, plant and equipment of $25 million for the third quarter of fiscal 1998 were funded with cash generated from operations. This level of spending is down significantly from the prior three quarters where the average expense was $60 million. This decrease in capital expenditures was a result of the Company's efforts to constrain all spending, including capital expenditures, in the current business environment. The Company currently plans to spend approximately $160 million on capital expenditures during fiscal 1998.

During the third quarter of fiscal 1998 the Company was authorized by the Board of Directors to repurchase up to a maximum of 4 million shares of its outstanding common stock. As of August 1, 1998 the Company had purchased approximately 1,816,300 shares of stock for $44.7 million. The Company expects to purchase the remaining 2.2 million shares as market conditions allow. The repurchased shares will be held as treasury shares and will be available for issuance under the Company's stock option plans, employees stock purchase plan and other stock benefit plans.

At August 1, 1998, the Company's principal sources of liquidity were $300 million of cash and cash equivalents and short-term investments. In addition, the Company has various lines of credit both in the U.S. and overseas, including a $60 million credit facility in the U.S. which expires in 2000, all of which were substantially unused at August 1, 1998. At August 1, 1998, the Company's debt-to-equity ratio was 30%.

The Company believes that its existing sources of liquidity and cash expected to be generated from future operations, together with current and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures and research and development efforts for the foreseeable future.

Factors Which May Affect Future Results

The Company's future operating results are difficult to predict and may be affected by a number of factors including the timing of new product announcements or introductions by the Company and its competitors, competitive pricing pressures, fluctuations in manufacturing yields, adequate availability of wafers and manufacturing capacity, changes in product mix and economic conditions in the United States and international markets. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. This can cause customer and distributor inventory levels to fluctuate and can disrupt the order patterns from both customers and distributors. The Company is exposed to the risk of obsolescence of its inventory depending on the mix of future business. As a result of these and other factors, there can be no assurance that the Company will not experience material fluctuations in future operating results on a quarterly or annual basis.

The Company's success depends in part on its continued ability to develop and market new products. There can be no assurance that the Company will be able to develop and introduce new products in a timely manner or that such products, if developed, will achieve market acceptance. In addition, the Company's growth is dependent on its continued ability to penetrate new markets such as the communications, computer and automotive segments of the electronics market, where the Company has limited experience and competition is intense. There can be no assurance that the markets being served by the Company will grow in the future; that the Company's existing and new products will meet the requirements of such markets; that the Company's products will achieve customer acceptance in such markets; that competitors will not force prices to an unacceptably low level or take market share from the Company; or that the Company can achieve or maintain profits in these markets. Also, some of the customers in these markets are less well established which could subject the Company to increased credit risk.

The semiconductor industry is intensely competitive. Certain of the Company's competitors have greater technical, marketing, manufacturing and financial resources than the Company. The Company's competitors also include emerging companies attempting to sell products to specialized markets currently served by the Company. Competitors of the Company have, in some cases, developed and marketed products having similar design and functionality as the Company's products. There can be no assurance that the Company will be able to compete successfully in the future against existing or new competitors or that the Company's operating results will not be adversely affected by increased price competition.

The Company has substantially increased its manufacturing capacity through both expansion of its production facilities and increased access to third-party foundries; there can be no assurance that the Company will not encounter unanticipated production problems at either its own facilities or at third-party foundries; or if the demand were to increase significantly that the increased capacity would be sufficient to satisfy demand for its products. The Company relies, and plans to continue to rely, on assembly and test subcontractors and on third-party wafer fabricators to supply most of its wafers that can be manufactured using industry-standard digital processes, and such reliance involves several risks, including reduced control over delivery schedules, manufacturing yields and costs. In addition, the Company's capacity additions will result in a significant increase in operating expenses, and if revenue levels do not increase to offset these additional expense levels, the Company's future operating results could be adversely affected, including the potential adverse impact in operating results for "take or pay" covenants in certain of its supply agreements. While the Company tries to ensure that its manufacturing capacity and demand for its products are in relative balance, no assurance can be given that from time to time an imbalance between the Company's manufacturing capacity and the demand for its products would not occur. Any such imbalance could adversely affect the Company's consolidated results of operations.

For the first nine months of fiscal 1998, 51% of the Company's revenues were derived from customers in international markets. The Company has manufacturing facilities outside the U.S., in Ireland, the Philippines and Taiwan. The Company also has supply agreements that include "take or pay" covenants with suppliers located in Southeast Asia ("SEA") and as part of these arrangements, the Company has $26 million on deposit with two of these suppliers. The Company also has a $21 million investment with one of these suppliers. In addition, the Company's has invested $140 million in its joint venture, WaferTech (located in Camas, Washington), the major partner is TSMC which is located in Taiwan. The Company is therefore subject to the economic and political risks inherent in international operations, including risks associated with the ongoing uncertainties in the economies in SEA. These risks include air transportation disruptions, expropriation, currency controls and changes in currency exchange rates, tax and tariff rates and freight rates. Although the Company engages in certain hedging transactions to reduce its exposure to currency exchange rate fluctuations, there can be no assurance that the Company's competitive position will not be adversely affected by changes in the exchange rate of the U.S. dollar against other currencies.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights. The Company has from time to time received, and may in the future receive, claims from third parties asserting that the Company's products or processes infringe their patents or other intellectual property rights. In the event a third party makes a valid intellectual property claim and a license is not available on commercially reasonable terms, the Company's operating results could be materially and adversely affected. Litigation may be necessary to enforce patents or other intellectual property rights of the Company or to defend the Company against claims of infringement, and such litigation can be costly and divert the attention of key personnel. See the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1997 for information concerning certain pending litigation involving the Company. An adverse outcome in such litigation, may, in certain cases, have a material adverse effect on the Company's consolidated financial position or on its consolidated results of operations or cash flows in the period in which the litigation is resolved.

Year 2000

The Company has year 2000 compliant software on many of its major platforms, including its financial and order entry systems. However, the Company has made the year 2000 issue a significant priority and a task force is engaged in the ongoing effort to reduce the year 2000 related risk in the balance of the Company's systems and equipment.

The task force's efforts are concentrated in six separate areas, as outlined below:

Centrally Managed Global Systems

These systems have been split into "Mission Critical" and "Non-Mission Critical". Mission critical is defined as systems that can seriously impair the Company's ability to conduct its business. There were 15 mission critical applications identified and as of August 31, 1998 80% of these are year 2000 compliant. The task force is addressing the remaining 20% and it is currently expected that they will be compliant during the first half of fiscal 1999. Non-mission critical is defined as systems which would not cause serious impairment to the organization. The task force is continually reviewing and re-prioritizing the remaining systems to ensure that the appropriate items are receiving the proper attention.

Design and Engineering Systems

The Corporate CAD (Computer Aided Design) Council is leading a worldwide year 2000 compliancy review of hardware and software related to the design and engineering systems. As of August 31, 1998 this review was 90% complete and decisions have been made to migrate to year 2000 compliant operating systems during the first half of fiscal 1999.

Site Based Manufacturing Systems

Manufacturing site managers are committed to ensuring a successful transition of operations in the year 2000. Year 2000 is a standard agenda item for all manufacturing review meetings. All critical manufacturing systems are in the process of being reviewed for year 2000 compliancy. The review process includes, but is not limited to, ensuring date compliance is necessary, meeting with vendors to determine if there is a fix available, and making decisions as to whether or not a new, date compliant piece of equipment should be purchased. In some instances the Company is considering "rolling back" the internal date mechanism as a contingency for some equipment, and the task force is in the process of testing the effects of this solution.

Personal Computers

The Company has a PC Standards Committee, comprised of participants from each site. This committee has developed methodology to review hardware and software compliance for all of the Company's 3,500 networked PC's. The Company does not foresee any year 2000 issues in this area.

Facility Related Systems

Systems such as heating, sprinklers, elevators, and card-key access are also being reviewed by site teams. Each team has a designated facilitator and there are representatives from each department participating. All of the teams have taken a thorough inventory of their site's systems and steady progress is being made in addressing any year 2000 issues.

Third Party

The Corporate year 2000 task force is also reviewing third-party systems. For the Company's Electronic Data Interchange ("EDI") systems, all partners were surveyed and the Company believes it will be able to support all of its EDI partners. For external elements on which the Company is dependent, the Company has received confirmation from suppliers that they will be compliant in the first half of fiscal 1999. If they are not compliant at that time the Company has plans in place to convert to another year 2000 compliant vendor.

Other external service providers, primarily financial and human resource services, have also been surveyed. Ninety percent of the surveys were returned and most expect to be year 2000 compliant. For systems which are not expected to be year 2000 compliant the Company is in the process of developing contingency plans. The Company is in the process of surveying its outside vendors as to the state of their readiness.

Summary

Because hundreds of people are spending a portion of their time on the project, it is difficult to calculate the cost of these efforts with any precision. It is estimated that this project is costing approximately $5 million per year for fiscal 1998 and fiscal 1999. The Company presently believes that the year 2000 issue will not pose significant operational problems. However, year 2000 issues could have a significant impact on the Company's operations and its financial results if modifications cannot be completed on a timely basis; unforeseen needs or problems arise; or, if the systems operated by third parties are not year 2000 compliant.

Other Considerations

Because of these and other factors, past financial performance should not be considered an indicator of future performance. Investors should not use historical trends to anticipate future results and should be aware that the trading price of the Company's common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, general conditions in the semiconductor industry, changes in earnings estimates and recommendations by analysts or other events.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information concerning market risk is contained on page 5 of the Company's 1997 Annual Report to Shareholders and is incorporated herein by reference.

PART II - OTHER INFORMATION
ANALOG DEVICES, INC.

Item 6. Exhibits and reports on Form 8-K

(a) See Exhibit Index
(b) There were no reports on Form 8-K filed for the three months ended August 1, 1998.

SIGNATURES

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

Analog Devices, Inc.
(Registrant)

Date: September 15, 1998	By: /s/ Jerald G. Fishman Jerald G. Fishman President and Chief Executive Officer (Principal Executive Officer)
Date: September 15, 1998	By: /s/ Joseph E. McDonough Joseph E. McDonough Vice President-Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX
Analog Devices, Inc.

5
1,000
U.S. DOLLARS

9-MOS
OCT-31-1998
NOV-02-1997
AUG-01-1998
1
261,705
38,792
211,583
0
272,370
869,593
1,358,875
644,907
1,841,857
269,362
309,985
0
0
27,322
1,142,347
1,841,857
958,750
958,750
490,103
490,103
338,080
0
8,198
132,347
30,832
101,515
0
0
0
101,515
.63
.60

Asset value represents net amount