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 May 3, 1997

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

(617) 329-4700
(Registrant's telephone number, including area code)

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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 May 30, 1997 was 160,389,645 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 | |
|---|---|---|
| | May 3, 1997 | May 4, 1996 |
| Net sales | $300,813 | $303,328 |
| Cost of sales | 150,544 | 150,362 |
| Gross margin | 150,269 | 152,966 |
| Operating expenses: | | |
| Research and development | 47,768 | 44,848 |
| Selling, marketing, general and administrative | 46,859 | 50,017 |
| | 94,627 | 94,865 |
| Operating income | 55,642 | 58,101 |
| Nonoperating expenses (income): | | |
| Interest expense | 2,973 | 3,040 |
| Interest income | (3,976) | (4,807) |
| Other | 477 | 417 |
| | (526) | (1,350) |
| Income before income taxes | 56,168 | 59,451 |
| Provision for income taxes | 14,051 | 15,458 |
| Net income | $ 42,117 | $ 43,993 |
| Shares used to compute earnings per share | 176,721 | 172,576 |
| Earnings per share of common stock | $ 0.25 | $ 0.26 |

See accompanying notes.

ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(thousands except per share amounts)

| | Six Months Ended | |
|---|---|---|
| | May 3, 1997 | May 4, 1996 |
| Net sales | $592,876 | $584,097 |
| Cost of sales | 299,165 | 288,581 |
| Gross margin | 293,711 | 295,516 |
| Operating expenses: | | |
| Research and development | 93,472 | 85,705 |
| Selling, marketing, general and administrative | 91,990 | 98,820 |
| | 185,462 | 184,525 |
| Operating income | 108,249 | 110,991 |
| Nonoperating expenses (income): | | |
| Interest expense | 6,753 | 4,868 |
| Interest income | (7,370) | (8,706) |
| Other | 470 | 1,200 |
| | (147) | (2,638) |
| Income before income taxes | 108,396 | 113,629 |
| Provision for income taxes | 27,099 | 29,544 |
| Net income | $ 81,297 | $ 84,085 |
| Shares used to compute earnings per share | 176,336 | 169,080 |
| Earnings per share of common stock | $ 0.48 | $ 0.51 |

See accompanying notes.

ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| Assets | May 3, 1997 | November 2, 1996 | May 4, 1996 |
|---|---|---|---|
| Cash and cash equivalents | $ 234,393 | $ 210,109 | $ 224,903 |
| Short-term investments | 68,198 | 89,810 | 112,573 |
| Accounts receivable, net | 242,733 | 241,847 | 212,825 |
| Inventories: | | | |
| Finished goods | 59,243 | 72,039 | 55,078 |
| Work in process | 129,092 | 115,799 | 107,046 |
| Raw materials | 29,444 | 31,039 | 29,351 |
| | 217,779 | 218,877 | 191,475 |
| Deferred tax assets | 54,500 | 44,879 | 42,000 |
| Prepaid expenses | 16,060 | 14,728 | 13,181 |
| Total current assets | 833,663 | 820,250 | 796,957 |
| Property, plant and equipment, at cost: | | | |
| Land and buildings | 143,677 | 140,776 | 140,740 |
| Machinery and equipment | 856,606 | 800,086 | 725,172 |
| Office equipment | 53,230 | 46,307 | 43,239 |
| Leasehold improvements | 81,599 | 80,099 | 58,482 |
| | 1,135,112 | 1,067,268 | 967,633 |
| Less accumulated depreciation and amortization | 525,933 | 483,946 | 452,225 |
| Net property, plant and equipment | 609,179 | 583,322 | 515,408 |
| Investments | 122,343 | 68,382 | 24,135 |
| Intangible assets, net | 15,817 | 16,846 | 16,214 |
| Deferred charges and other assets | 31,838 | 26,885 | 18,986 |
| Total other assets | 169,998 | 112,113 | 59,335 |
| | $1,612,840 | $1,515,685 | $1,371,700 |

See accompanying notes.

ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(thousands except share amounts)

| Liabilities and Stockholders' Equity | May 3, 1997 | November 2, 1996 | May 4, 1996 |
|---|---|---|---|
| Short-term borrowings and current portion of long-term debt | $ 2,472 | $ 178 | $ 4,013 |
| Obligations under capital leases | 11,651 | 10,960 | 8,422 |
| Accounts payable | 84,566 | 90,177 | 93,507 |
| Deferred income on shipments to domestic distributors | 36,311 | 38,400 | 35,931 |
| Income taxes payable | 56,586 | 46,459 | 29,632 |
| Accrued liabilities | 81,001 | 84,062 | 94,097 |
| Total current liabilities | 272,587 | 270,236 | 265,602 |
| Long-term debt | 310,000 | 310,000 | 310,000 |
| Noncurrent obligations under capital leases | 44,627 | 43,666 | 33,037 |
| Deferred income taxes | 20,000 | 16,992 | 6,500 |
| Other noncurrent liabilities | 17,024 | 11,956 | 9,418 |
| Total noncurrent liabilities | 391,651 | 382,614 | 358,955 |
| 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, 160,285,212 shares issued (158,745,219 in November 1996, 115,580,780 in May 1996) | 26,715 | 26,458 | 19,264 |
| Capital in excess of par value | 182,678 | 176,357 | 157,455 |
| Retained earnings | 734,663 | 653,365 | 565,549 |
| Cumulative translation adjustment | 5,199 | 6,655 | 5,379 |
| | 949,255 | 862,835 | 747,647 |
| Less 26,464 shares in treasury, at cost (none in November 1996, and 57,730 in May 1996) | 653 | - | 504 |
| Total stockholders' equity | 948,602 | 862,835 | 747,143 |
| | $1,612,840 | $1,515,685 | $1,371,700 |

See accompanying notes.

ANALOG DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (thousands) | Six Months Ended | |
|---|---|---|
| | May 3, 1997 | May 4, 1996 |
| OPERATIONS | | |
| Cash flows from operations: | | |
| Net income | $ 81,297 | $ 84,085 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 48,564 | 37,106 |
| Deferred income taxes | 2,985 | 1,477 |
| Other noncash income | (116) | (674) |
| Changes in operating assets and liabilities | (6,232) | (76,235) |
| Total adjustments | 45,201 | (38,326) |
| Net cash provided by operations | 126,498 | 45,759 |
| INVESTMENTS | | |
| Cash flows from investments: | | |
| Maturities of short-term investments available for sale | 89,810 | 118,495 |
| Additions to property, plant and equipment, net | (73,748) | (120,056) |
| Purchases of short-term investments available for sale | (68,198) | (154,258) |
| Long-term investments | (53,961) | - |
| Maturities of short-term investments held to maturity | - | 5,000 |
| Increase in other assets | (5,524) | (11,550) |
| Net cash used for investments | (111,621) | (162,369) |
| FINANCING ACTIVITIES | | |
| Cash flows from financing activities: | | |
| Proceeds from equipment financing | 7,123 | 44,028 |
| Payments on capital lease obligations | (5,505) | (2,629) |
| Proceeds from employee stock plans | 4,791 | 2,661 |
| Net increase (decrease) in variable rate borrowings | (1,964) | 1,914 |
| Net proceeds from issuance of long-term debt | - | 224,385 |
| Net cash used for financing activities | 4,445 | 270,359 |
| Effect of exchange rate changes on cash | 4,962 | 1,851 |
| Net increase in cash and cash equivalents | 24,284 | 155,600 |
| Cash and cash equivalents at beginning of period | 210,109 | 69,303 |
| Cash and cash equivalents at end of period | $ 234,393 | $ 224,903 |
| SUPPLEMENTAL INFORMATION | | |
| Cash paid during the period for: | | |
| Income taxes | $ 21,640 | $ 44,981 |
| Interest | $ 8,114 | $ 3,115 |

See accompanying notes.

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements
May 3, 1997

Note 1 - In the opinion of management, the information furnished in the accompanying financial statements reflects all adjustments, consisting only of normal recurring 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 1997 presentation.

Note 3 - Impairment of Long-Lived Assets

The adoption by the Company on November 3, 1996 of the Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", did not materially affect the Company's consolidated financial statements.

In the event that facts and circumstances indicate the Company's assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

Note 4 - Stock-Based Compensation

Effective November 3, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-Based Compensation". SFAS No. 123 requires the recognition of, or disclosure of, compensation expense for grants of stock options or other equity instruments issued to employees based on their fair value at the date of grant. As permitted by SFAS No. 123, the Company elected the disclosure requirements instead of recognition of compensation expense and therefore will continue to apply existing accounting rules.

Note 5 - Investments

During fiscal 1996 the Company entered into a joint venture agreement with Taiwan Semiconductor Manufacturing Company and other investors for the construction and operation of a semiconductor fabrication facility in Camas, Washington. The Company acquired an 18% equity ownership in the joint venture, known as WaferTech, in return for a $140 million investment. In December 1996, the Company paid the second installment of $42 million to WaferTech. The remaining installment of $56 million is due on November 3, 1997.

Note 6 - Pro Forma Earnings Per Share

The Company computes its earnings per share in accordance with the provisions of the Accounting Principles Board's Opinion No. 15 ("APB 15"), "Earnings Per Share". In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share", which supersedes APB 15 and is required to be adopted in financial statements issued after December 31, 1997. For the first quarter of fiscal 1998, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements, primary and fully diluted earnings per share will be 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 stock options is excluded. Diluted earnings per share is computed in essentially the same manner as fully diluted earnings per share with some exceptions. The primary exception affecting the Company 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 as required under APB 15.

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
May 3, 1997

Note 6 - Pro Forma Earnings Per Share (Continued)

Had the Company computed its earnings per share based on SFAS No. 128, the pro forma amounts for basic and diluted earnings per share would have been as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | May 3, 1997 | May 4, 1996 | May 3, 1997 | May 4, 1996 |
| Basic Earnings Per Share | $0.27 | $0.29 | $0.52 | $0.55 |
| Diluted Earnings Per Share | $0.25 | $0.26 | $0.48 | $0.51 |

Note 7 - Commitments and Contingencies

As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 1996, the Company is no longer engaged in an enforcement proceeding brought by the International Trade Commission ("ITC") related to previously settled patent infringement litigation with Texas Instruments, Inc. However, the ITC has referred certain related matters to the Department of Justice. The Company is unable to determine what, if any, action may be taken by the Department of Justice, but the Company plans to vigorously defend itself in the event that any enforcement action is taken by the Department of Justice on any of the matters referred to it by the ITC.

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

Second Quarter of Fiscal 1997 Compared to the Second Quarter of Fiscal 1996

Net sales for the second quarter of 1997 were $301 million, as compared to net sales of $303 million for the second quarter of fiscal 1996. Standard linear IC ("SLICs") revenues increased 3% from the prior year period, as demand for communications and industrial-related products increased. SLIC revenues comprised approximately 61% of total second quarter revenues compared to 58% of revenues for the second quarter of fiscal 1996. Revenues from system-level products decreased from the year earlier period due primarily to a decline in demand for computer audio products. Sales in the Southeast Asia region, which increased 23% from last year, were driven principally by increased sales of communications products. Sales in Japan decreased 20% from the second quarter of 1996 due partly to a stronger average dollar to yen exchange rate and weakness in the Japanese industrial markets. Sales in North America and Europe remained virtually flat over the same period  last year.

Gross margin decreased slightly from 50.4% of sales for the prior year to 50.0% of sales for the second quarter of fiscal 1997. The reduction in gross margin was principally due to a change in the mix of products sold, increased costs associated with the new manufacturing facilities and competitive pricing pressures.

R&D expense was $48 million, an increase of $3 million or 7% from the second quarter of fiscal 1996, as the Company continued to increase its R&D investment in opportunities in communications, computers, digital signal processing, accelerometer and linear ICs.

Selling, marketing, general & administrative ("SMG&A") expense of $47 million was $3 million or 6% lower than the prior year quarter. The SMG&A expense-to-sales ratio was reduced to 15.6% of sales compared to 16.5% for the year-ago quarter. This decline is a result of the Company's commitment to constrain spending during a cyclical softening of demand.

As a result of the above, the operating income ratio declined to 18.5% of sales compared to 19.2% for the second quarter of fiscal 1996.

In total, nonoperating income decreased $0.8 million from the year-ago period principally due to a decrease in interest income earned on lower levels of invested cash.

The effective income tax rate decreased from 26.0% of sales for the second quarter of fiscal 1996 to 25.0% for the second quarter of fiscal 1997 due to a shift in the mix of worldwide profits.

Net income decreased 4%, from $44 million or $0.26 per share for the second quarter of fiscal 1996 to $42 million or $0.25 per share for the second quarter of fiscal 1997.

Second Quarter of Fiscal 1997 Compared to the First Quarter of Fiscal 1997

Net sales increased from $292 million for the first quarter of fiscal 1997 to $301 million for the second quarter of fiscal 1997, an increase of $9 million or 3%. Strengthening SLIC demand was responsible for the quarter-to-quarter increase. This increase more than offset a decrease in system-level IC sales which was due to a decline in demand for computer audio products and the transition of product generations for GSM (Global Systems for Mobile Communications) chipsets during the second quarter of fiscal 1997. Revenues increased in North America and Europe as sales through the OEM channel strengthened from the first quarter, particularly for SLIC and DSP products. Sales in Japan decreased from the first quarter due partly to a stronger average dollar to yen exchange rate and weakness in the Japanese industrial markets. Sales in the Southeast Asia region decreased from the prior quarter primarily as a result of the declines in system-level products described above.

Gross margin increased from 49.1% for the prior quarter to 50.0% for the second quarter of fiscal 1997, driven by a modest shift in the mix of products sold towards higher-margin SLIC products.

R&D expenses for the second quarter of fiscal 1997 of $48 million were $2 million or 4% higher than the first quarter, as the funding of new product development continued.

SMG&A expenses of $47 million were $2 million or 4% greater than the preceding quarter, primarily due to the fact that the first quarter of fiscal 1997 included scheduled vacation shutdowns which reduced expenses in that period.

Operating profit increased to 18.5% of sales versus 18.0% of sales for the immediately preceding quarter.

After nonoperating income of $0.5 million and an unchanged effective income tax rate of 25%, the Company recorded a 7.5% increase in net income to $42 million or 14.0% of sales compared to $39 million or 13.4% of sales for the first quarter of fiscal 1997. Earnings per share increased from $0.23 to $0.25 over this same period.

First Six Months of Fiscal 1997 Compared to the First Six Months of Fiscal 1996

Net sales of $593 million rose $9 million from the same period of fiscal 1996. The increase in sales was mainly attributable to an increase in sales of the Company's communication products which more than offset declines in sales of computer audio products. Sales of SLICs were approximately flat in comparison to the prior year. For the first half of fiscal 1997, sales to North American customers remained essentially flat, whereas sales to international customers increased 2% over the same period of fiscal 1996 with an increase experienced in the Southeast Asia region being partially offset by a decline in Japan.

Gross margin was 49.5% for the first six months of fiscal 1997 down from 50.6% for the comparable period of fiscal 1996. The reduction in gross margin was principally due to a change in the mix of products sold, increased costs associated with the new manufacturing facilities and competitive pricing pressures.

R&D expenses increased approximately $8 million or 9% over the prior year, as the Company continued to increase its R&D investment in opportunities in communications, computers, digital signal processing, accelerometer and linear ICs.

SMG&A expenses declined 7%, a result of the Company's commitment to constrain spending, additional vacation shutdowns during the first quarter of fiscal 1997 and the fact that the first six months of fiscal 1997 was 26 weeks versus 27 weeks for the first six months of fiscal 1996. As a result, SMG&A expense as a percentage of sales fell to 15.5% from 16.9% for the year-earlier period.

Operating profit was $108 million or 18.3% of sales for the first half of fiscal 1997 down from $111 million or 19.0% of sales for the first half of fiscal 1996.

Interest expense increased $2 million from the year earlier period due to the outstanding $230 million of 3 1/2% Convertible Subordinated Notes which were issued during the first quarter of fiscal 1996, and increased expense related to capitalized leases. Interest income decreased $1 million from the prior year period as a result of a lower average level of invested cash during the first six months of fiscal 1997 as compared to the same period in the prior year.

The effective income tax rate decreased to 25.0% from 26.0% for the year-ago period due to a change in the mix of worldwide profits.

Liquidity and Capital Resources

At May 3, 1997, cash, cash equivalents and short-term investments totaled $303 million, a decrease of $35 million from the second quarter of fiscal 1996 and an increase of $3 million from the fourth quarter of fiscal 1996. The decrease in cash, cash equivalents and short-term investments from the prior year was due primarily to the use of cash for investing activities, including capital expenditures and investments made to secure wafer supply. The increase from the fourth quarter, resulted primarily from the fact that cash flow from operations was greater than cash outlays for investing activities.

The Company's operating activities generated net cash of $126 million, or 21% of sales, for the first six months of fiscal 1997 compared to $46 million, or 8% of sales, for the first six months of fiscal 1996. The $80 million increase in operating cash flows from the year-earlier period was principally due to greater working capital requirements, in the prior period, associated with growth in accounts receivable and inventories and the payment of income taxes, offset partly by increased accounts payable and accrued liabilities. Cash flow from operations generated in the second quarter of fiscal 1997 was $80 million or 26% of sales versus $47 million or 16% of sales for the prior quarter and $13 million or 4% of sales for the second quarter of fiscal 1996. The increase in operating cash flows compared to the prior year quarter was due mainly to lower net working capital requirements in the second quarter of fiscal 1997, as the prior year had substantial growth in accounts receivable and inventories. The change from the first quarter of fiscal 1997 was due primarily to increased accounts payable and accrued liabilities. The noncash effect of depreciation and amortization expense was $49 million for the first half of fiscal 1997 and $25 million for the second quarter of fiscal 1997, higher than the $37 million and $20 million, respectively, for the comparable periods of fiscal 1996, primarily as a result of increased property, plant and equipment related to the Company's internal capacity expansion programs. As a percentage of sales, depreciation and amortization expense was 8% for the first six months of fiscal 1997 compared to 6% for the first six months of fiscal 1996.

Accounts receivable of $243 million remained essentially flat in comparison to the fourth quarter of fiscal 1996 and the first quarter of fiscal 1997, but increased $30 million or 14% from the end of the second quarter of fiscal 1996. The number of days sales outstanding was 73 at the end of the second quarter of fiscal 1997 as compared to 64, 72 and 76, for the second and fourth quarters of 1996 and the first quarter of fiscal 1997, respectively. The increase in the number of days sales outstanding from the prior year period was primarily due to a change in the geographic mix of sales from the second quarter of fiscal 1996 to the second quarter of 1997 which resulted in increased sales in areas with typically longer payment terms.

Inventories of $218 million at the end of the first six months of fiscal 1997 rose $26 million and $5 million as compared to the end of the second quarter of fiscal 1996 and the first quarter of fiscal 1997, respectively. Inventories declined $1 million from the fourth quarter of fiscal 1996. The growth in inventories over the past year was principally due to the fact that the second quarter of fiscal 1996 was a period when the Company was expanding internal manufacturing capacity, in response to capacity shortages which had reduced inventory to below optimum levels. A build in inventory levels was needed to service increasing sales volumes. Inventories as a percentage of annualized quarterly sales remained at approximately 18% compared to both the first quarter of fiscal 1997 and the fourth quarter of fiscal 1996 and rose from approximately 16% for the second quarter of fiscal 1996.

Accounts payable and accrued liabilities declined $22 million or 12% compared to the balance at the end of the second quarter of fiscal 1996 due principally to decreased capital spending as the Company's capacity expansion programs were more extensive in the prior year.

Net additions to property, plant and equipment of $74 million or 12% of sales for the first six months of fiscal 1997 and $32 million or 11% of sales for the second quarter of fiscal 1997 were funded with a combination of cash on hand, cash generated from financing activities and internally generated cash flow from operations. The majority of these expenditures in fiscal 1997 were related to the ongoing improvement of the Company's existing wafer fabrication facilities in Wilmington, Massachusetts and Limerick, Ireland. The Company is continuing to develop its facility in Cambridge, Massachusetts which will be used for the production of the accelerometer and other micromachined products. In addition, the Company continued the development of the six-inch wafer fabrication module located in Sunnyvale, California. This facility is still in the process of being upgraded and modernized and a CBCMOS process is being developed and production output is expected in the fourth quarter of fiscal 1997. During the second quarter of fiscal 1997 production output began in the new assembly and test site in the Philippines. Production at this site is expected to increase during the remainder of fiscal 1997. These expansion programs have caused depreciation expense to increase in comparison to the prior year.

In December 1996, based on the joint venture agreement with Taiwan Semiconductor Manufacturing Company and other investors, the Company paid the second installment of $42 million to WaferTech. During fiscal 1996 the Company entered into this joint venture agreement for the construction and operation of a semiconductor fabrication facility in Camas, Washington. The Company acquired an 18% equity ownership in the joint venture, known as WaferTech, in return for a $140 million investment. The remaining installment of $56 million is due on November 3, 1997.

The Company currently plans to make capital expenditures of approximately $185 million during fiscal 1997, primarily in connection with the continued expansion of its manufacturing capacity.

At May 3, 1997, the Company's principal sources of liquidity included $234 million of cash and cash equivalents and $68 million of short-term investments. Short-term investments at the end of the second quarter of fiscal 1997 consisted of commercial paper, banker's acceptances, certificates of deposit and Euro time deposits with maturities greater than three months and less than six months at time of acquisition. The Company also 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 May 3, 1997. At May 3, 1997, the Company's debt-to-equity ratio was 39%.

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.

## Litigation

As set forth in Note 7 to the Condensed Consolidated Financial Statements contained in this Form 10-Q for the fiscal quarter ended May 3, 1997, the Company is no longer engaged in an enforcement proceeding brought by the International Trade Commission ("ITC") related to previously settled patent infringement litigation with Texas Instruments, Inc. However, the ITC has referred certain related matters to the Department of Justice. The Company is unable to determine what, if any, action may be taken by the Department of Justice, but the Company plans to vigorously defend itself in the event that any enforcement action is taken by the Department of Justice on any of the matters referred to it by the ITC.

## 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. The Company has replenished inventory which had been depleted in the prior year. These higher inventory levels expose the Company to the risk of obsolescence 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 such as those 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.

During fiscal 1996, the Company increased substantially 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. With its greater capacity relative to demand, the Company has increased its levels of inventory. The Company's business is subject to rapid technological changes and there can be no assurance that products stocked in inventory will not be rendered obsolete before they are utilized by the Company.

For the first six months of fiscal 1997, 58% of the Company's revenues were derived from customers in international markets. The Company has manufacturing facilities in Ireland, the Philippines and Taiwan. The Company is therefore subject to the economic and political risks inherent in international operations, including expropriation, air transportation disruptions, 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.

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.

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 Item 3 - "Legal Proceedings" from the Company's Annual Report on form 10k for the fiscal year ended November 2, 1997 for information concerning 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.

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.

PART II - OTHER INFORMATION
ANALOG DEVICES, INC.

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

At the Annual Meeting of Stockholders held on March 11, 1997, the stockholders of the Company elected Messers. Charles O. Holliday, Jr., Joel Moses and Lester C. Thurow to serve as Class I Directors for a term of three years by the following votes:

| Nominee | Votes for | Votes Withheld | Broker Non Votes |
|---|---|---|---|
| Charles O. Holliday, Jr. | 134,412,096 | 1,150,371 | -0- |
| Joel Moses | 134,773,873 | 788,594 | -0- |
| Lester C. Thurow | 134,663,881 | 898,586 | -0- |

The terms of office of Messrs. John L. Doyle, Samuel H. Fuller, Jerald G. Fishman, Gordon C. McKeague and Ray Stata continued after the meeting.

At the same meeting, the stockholders approved an amendment to the Company's Articles of Organization increasing the number of authorized shares of Common Stock from 450,000,000 shares to 600,000,000 shares, by a vote of 125,944,127 in favor, 9,286,270 opposed and 332,070 abstaining.

Stockholders also ratified the selection by the Board of Directors of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending November 1, 1997, by a vote of 133,735,588 in favor, 173,226 opposed and 1,653,652 abstaining.

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 May 3, 1997.

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: June 16, 1997

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

Date: June 16, 1997

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.

| Item | |
|---|---|
| 10-1 | Restated 1988 Stock Option Plan of Analog Devices, Inc. |
| 11-1 | Computation of Earnings per Share. |
| 27 | Financial Data Schedule |

Exhibit 10.1

ANALOG DEVICES, INC.
RESTATED 1988 STOCK OPTION PLAN

1. Purpose.

The purpose of this plan (the "Plan") is to secure for Analog Devices, Inc. (the "Company") and its shareholders the benefits arising from capital stock ownership by key employees of the Company and its parent and subsidiary corporations who are expected to contribute to the Company's future growth and success. Except where the context otherwise requires, the term "Company" shall include the parent and all subsidiaries of the Company.

2. Type of Options and Administration.

(a) TYPES OF OPTIONS. Options granted pursuant to the Plan shall be authorized by action of the Board of Directors of the Company (or a Committee designated by the Board of Directors) and may be either incentive stock options ("Incentive Stock Options") meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or non-statutory options which are not intended to meet the requirements of Section 422.

(b) ADMINISTRATION. The Plan will be administered by the Board of Directors of the Company, whose construction and interpretation of the terms and provisions of the Plan shall be final and conclusive. The Board of Directors may in its sole discretion grant options to purchase shares of the Company's Common Stock and issue shares upon exercise of such options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective option agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective option agreements, which need not be identical, and to make all other determinations in the judgment of the Board of Directors necessary or desirable for the administration of the Plan. The Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No director shall be liable for any action or determination made in good faith. The Board of Directors may, to the full extent permitted by law, delegate any or all of its powers under the Plan to a committee (the "Committee") appointed by the Board of Directors, and if the Committee is so appointed all references to the Board of Directors in the Plan shall mean and relate to such Committee.

Exhibit 10.1

3. Eligibility.

Options shall be granted only to persons who are, at the time of grant, key employees (including officers and directors who are employees) of the Company. No person shall be granted any Incentive Stock Option under the Plan who, at the time such option is granted, owns, directly or indirectly, Common Stock of the Company possessing more than 10% of the total combined voting power of all classes of stock of the Company, unless the requirements of paragraph (b) of Section 11 are satisfied. The attribution of stock ownership provisions of Section 425(d) of the Code, and any successor provisions thereto, shall be applied in determining the shares of stock owned by a person for purposes of applying the foregoing percentage limitation. A person who has been granted an option may, if he or she is otherwise eligible, be granted an additional option or options if the Board of Directors shall so determine.

4. Stock Subject to Plan.

Subject to adjustment as provided in Section 15 below, the maximum number of shares of Common Stock which may be issued and sold under the Plan is 29,900,000 shares. Such shares may be authorized and unissued shares or may be shares issued and thereafter acquired by the Company. If an option granted under the Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such option shall again be available for subsequent option grants under the Plan. The number of shares of Common Stock for which stock options may be granted under this Plan to any one employee during any fiscal year shall not exceed 750,000 shares.

5. Agreements or Confirming Memos.

Options granted under the Plan may but need not be evidenced by agreements (which need not be identical) in such form and containing such provisions consistent with the Plan as the Committee shall from time to time approve. Options not documented by written agreement shall be memorialized by a written confirming memorandum stating the material terms of the option and provided to the option recipient. Each agreement or confirming memorandum shall specify whether the subject option is an Incentive Stock Option or a Non-Qualified Stock Option.

Exhibit 10.1

6. Purchase Price.

(a) GENERAL. The purchase price per share of stock deliverable upon the exercise of an option shall be determined by the Board of Directors; PROVIDED, HOWEVER, that the exercise price shall not be less than 100% of the fair market value of such stock, as determined by the Board of Directors, at the time of grant of such option, or less than 110% of such fair market value in the case of Incentive Stock Options described in Paragraph (b) of Section 11.

(b) PAYMENT OF PURCHASE PRICE. Options granted under the Plan may provide for the payment of the exercise price by delivery of cash or a check to the order of the Company in an amount equal to the exercise price of such options, or, to the extent provided in the applicable option agreement, by delivery to the Company of shares of Common Stock of the Company having a fair market value equal in amount to the exercise price of the options being exercised, or by any combination of such methods of payment. The fair market value of any shares of the Company's Common Stock which may be delivered upon exercise of an option shall be determined in accordance with the terms of the applicable option agreement.

7. Option Period.

Each option and all rights thereunder shall expire on such date as the Board of Directors shall determine, but, in the case of Incentive Stock Options, in no event after the expiration of ten years from the day on which the option is granted (or five years in the case of options described in paragraph (b) of Section 11) and, in the case of non-statutory options, in no event after the expiration of ten years plus 30 days from the day on which the option is granted, and in either case, shall be subject to earlier termination as provided in the Plan.

8. Exercise of Options.

Each option granted under the Plan shall be exercisable either in full or in installments at such time or times and during such period as shall be set forth in the agreement evidencing such option, subject to the provisions of Section 7 above.

8A. Deferral.

An optionee who is entitled, by authority of the Board of Directors, to defer his/her compensation pursuant to the Corporation's Deferred Compensation Plan may elect, in accordance with rules established by the Board or the Committee, to defer receipt of any shares of Common Stock issuable upon the exercise of an option, provided that such election is irrevocable and made at least that number of days prior to the exercise of the option which shall be determined by the Board or the Committee. The optionee's account under the Analog Devices, Inc. Deferred Compensation Plan shall be credited with a number of stock units equal to the number of shares so deferred.

9. Transferability of Options.

Except as the Board of Directors (or a committee or persons designated by the Board of Directors) may otherwise determine or provide in an option, options shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution; and, during the life of the optionee, shall be exercisable only by the optionee. References to optionee, to the extent relevant in the context, shall include references to authorized transferees.

10. Effect of Termination of Employment.

No option may be exercised unless, at the time of such exercise, the optionee is, and has been continuously since the date of grant of his or her option, employed by the Company, except that if and to the extent the option agreement or instrument so provides:

(a) the option may be exercised within the period of three months after the date the optionee ceases to be an employee of the Company (or within such lesser period as may be specified in the applicable option agreement);

(b) if the optionee dies while in the employ of the Company, the option may be exercised in full by the person to whom it is transferred by will or the laws of descent and distribution within the period of one year after the date of death (or within such lesser period as may be specified in the applicable option agreement); and

(c) if the optionee becomes disabled, within the meaning of Section 22(e)(3) of the Code or any successor provision thereto while in the employ of the Company, the option may be exercised in full within the period of one (1) year after the date the optionee ceases to be such an employee because of such disability (or within such lesser period as may be specified in the applicable option agreement);

PROVIDED, HOWEVER, that in no event may any option be exercised after the expiration date of the option. With respect to statutory options, and for purposes of the Plan, any option granted hereunder, the term "employment" shall be defined in accordance with the provisions of Section 1.421-7(h) of the Income Tax Regulations (or any successor regulations). With respect to nonqualified options, the term "employment" shall be defined by the Company, and may provide that the employment relationship continue when an employee is on a bona fide leave of absence regardless of the reason or duration of such leave of absence provided such leave of absence has been approved by the Vice President of Human Resources of the Company.

11. Incentive Stock Options.

Options granted under the Plan which are intended to be Incentive Stock Options shall be specifically designated as Incentive Stock Options and shall be subject to the following additional terms and conditions:

(a) DOLLAR LIMITATION. Incentive Stock Options granted to any employee under the Plan (and any other incentive stock option plans of the Company) shall not, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate fair market value (determined as of the respective date or dates of grant) of more than $100,000.

(b) 10% SHAREHOLDER. If any employee to whom an Incentive Stock Option is to be granted under the Plan is, at the time of the grant of such option, the owner of stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (after taking into account the attribution of stock ownership rules of Section 425(d) of the Code), then the following special provisions shall be applicable to the Incentive Stock Option granted to such individual:

(i) The purchase price per share of the Common Stock subject to such Incentive Stock Option shall not be less than 110% of the fair market value of one share of Common Stock at the time of grant; and

(ii) The option exercise period shall not exceed five years from the date of grant.

12. Additional Provisions.

(a) ADDITIONAL OPTION PROVISIONS. The Board of Directors may, in its sole discretion, include additional provisions in any option granted under the Plan, including without limitation restrictions on transfer, repurchase rights, commitments to pay cash bonuses, make or arrange for loans or transfer other property to optionees upon exercise of options, or such other provisions as shall be determined by the Board of Directors;

PROVIDED THAT such additional provisions shall not be inconsistent with any other term or condition of the Plan.

(b) ACCELERATION. The Board of Directors may, in its sole discretion, accelerate the date or dates on which all or any particular option or options granted under the Plan may be exercised.

13. Compliance With Securities Laws.

Each option shall be subject to the requirement that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board of Directors. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

14. Rights as a Shareholder.

The holder of an option shall have no rights as a shareholder with respect to any shares covered by the option until the date of issue of a stock certificate to him or her for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

15. Adjustments.

(a) If the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares reserved for issuance under the Plan, (ii) the number and kind of shares or other securities subject to then outstanding options under the Plan, and (iii) the price for each share subject to any then outstanding options under the Plan, without changing the aggregate purchase price as to which such options remain exercisable.

Exhibit 10.1

(b) Adjustments under this Section 15 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued under the Plan on account of any such adjustments.

16. Change in Control.

(a) Notwithstanding any other provision to the contrary in this Plan, in the event of a Change in Control (as defined below), all options outstanding as of the date such Change in Control occurs shall become exercisable in full, whether or not otherwise exercisable in accordance with their terms.

(b) A "Change in Control" shall occur or be deemed to have occurred only if any of the following events occur: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) individuals who, as of December 13, 1988, constitute the Board of Directors of the Company (as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

17. No Special Employment Rights.

Nothing contained in the Plan or in any option shall confer upon any optionee any right with respect to the continuation of his or her employment by the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease the compensation of the optionee. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Board of Directors at the time of such absence.

18. Other Employee Benefits.

The amount of any compensation deemed to be received by an employee as a result of the exercise of an option or the sale of shares received upon such exercise will not constitute compensation with respect to which any other employee benefits of such employee are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Board of Directors.

19. Amendment of the Plan.

(a) The Board of Directors may at any time, and from time to time, modify or amend the Plan in any respect, except that if at any time the approval of the shareholders of the Company is required as to such modification or amendment under (i) Section 422 of the Code or any successor provision with respect to Incentive Stock Options or (ii) under Rule l6b-3 or any successor rule ("Rule l6b-3") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or (iii) under any applicable listing requirements, the Board of Directors may not effect such modification or amendment without such approval.

(b) The termination or any modification or amendment of the Plan shall not, without the consent of an optionee, affect his or her rights under an option previously granted to him or her. With the consent of the optionee affected, the Board of Directors may amend outstanding option agreements in a manner not inconsistent with the Plan. The Board of Directors shall have the right to amend or modify (i) the terms and provisions of the Plan and of any outstanding Incentive Stock Options granted under the Plan to the extent necessary to qualify any or all such options for such favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded incentive stock options under Section 422 of the Code and (ii) the terms and provisions of the Plan and of any outstanding option to the extent necessary to ensure the qualification of the Plan under Rule l6b-3 or any successor rule.

20. Withholding.

(a) The Company shall have the right to deduct from payments of any kind otherwise due to the optionee any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon exercise of Options under the Plan. Subject to the prior approval of the Company, which may be withheld by the Company in its sole discretion in any particular case or cases, the optionee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company to withhold shares of Common Stock otherwise issuable pursuant to the exercise of an Option or (ii) by delivering to the Company shares of Common Stock already owned by the optionee. The shares so withheld or delivered shall have a fair market value equal to the amount of such withholding obligation. The fair market value of the shares used to satisfy such. withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. An optionee who has made an election pursuant to this Section 20(a) may only satisfy his or her withholding obligation with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(b) Notwithstanding the foregoing, in the case of an optionee subject to the reporting requirements of Section 16(a) of the Exchange Act, no election to use shares for the payment of withholding taxes shall be effective unless made in compliance with any applicable requirements of Rule 16b-3(e) or any successor rule under such Act.

21. Cancellation and New Grant of Options.

The Board of Directors shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution therefor new options under the Plan covering the same or different numbers of shares of Common Stock having an option exercise price per share which may be lower or higher than the exercise price per share of the canceled options.

22. Effective Date and Duration of the Plan.

(a) EFFECTIVE DATE. The Plan shall become effective when adopted by the Board of Directors, but no Incentive Stock Option granted under the Plan shall become exercisable unless and until the Plan shall have been approved by the Company's shareholders. If such shareholder approval is not obtained within twelve months after the date of the Board's adoption of the Plan, any Incentive Stock Options previously granted under the Plan shall terminate and no further Incentive Stock Options shall be granted. Amendments to the Plan not requiring shareholder approval shall become effective when adopted by the Board of Directors; amendments requiring shareholder approval (as provided in Section 19) shall become effective when adopted by the Board of Directors, but no Incentive Stock Option issued after the date of such amendment shall become exercisable (to the extent that such amendment to the Plan was required to enable the Company to grant such incentive Stock Option to a particular optionee) unless and until such amendment shall have been approved by the Company's shareholders. If such shareholder approval is not obtained within twelve months of the Board's adoption of such amendment, any Incentive Stock Options granted on or after the date of such amendment shall terminate to the extent that such amendment to the Plan was required to enable the Company to grant such option to a particular optionee. Subject to this limitation, options may be granted under the Plan at any time after the effective date and before the date fixed for termination of the Plan.

(b) TERMINATION. The Plan shall terminate upon the earlier of (i) the close of business on December 15, 1999, or (ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the exercise or cancellation of options granted under the Plan. If the date of termination is determined under (i) above, then options outstanding on such date shall continue to have force and effect in accordance with the provisions of the instruments evidencing such options.

Adopted by the Board of Directors on
December 16, 1987.
Approved as Restated on May 20, 1997.

Exhibit 11-1

Analog Devices, Inc.

Computation of Earnings Per Share (Unaudited)
(in thousands, except per share data)

| | Three Months Ended | |
|---|---|---|
| | May 3, 1997 | May 4, 1996 |
| **PRIMARY EARNINGS PER SHARE** | | |
| Weighted average common and common equivalent shares: | | |
| Weighted average common shares outstanding | 158,667 | 151,921 |
| Assumed exercise of common stock equivalents (1) | 7,069 | 9,670 |
| Assumed conversion of subordinated notes | 10,985 | 10,985 |
| Weighted average common and common equivalent shares | 176,721 | 172,576 |
| Net income | $ 42,117 | $ 43,993 |
| Interest related to convertible subordinated notes, net of tax | 1,425 | 1,401 |
| Earnings available for common stock | $ 43,542 | $ 45,394 |
| PRIMARY EARNINGS PER SHARE | $ 0.25 | $ 0.26 |
| **FULLY DILUTED EARNINGS PER SHARE** | | |
| Weighted average common and common equivalent shares: | | |
| Weighted average common shares outstanding | 158,667 | 151,921 |
| Assumed exercise of common stock equivalents (1) | 7,134 | 9,944 |
| Assumed conversion of subordinated notes | 10,985 | 10,985 |
| Weighted average common and common equivalent shares | 176,786 | 172,850 |
| Net income | $ 42,117 | $ 43,993 |
| Interest related to convertible subordinated notes, net of tax | 1,425 | 1,401 |
| Earnings available for common stock | $ 43,542 | $ 45,394 |
| FULLY DILUTED EARNINGS PER SHARE | $ 0.25 | $ 0.26 |

(1) Computed based on the treasury stock method.

Exhibit 11-1(Continued)

Analog Devices, Inc.

Computation of Earnings Per Share (Unaudited)
(in thousands, except per share data)

| | Six Months Ended | |
|---|---|---|
| | May 3, 1997 | May 4, 1996 |
| PRIMARY EARNINGS PER SHARE | | |
| Weighted average common and common equivalent shares: | | |
| Weighted average common shares outstanding | 158,431 | 151,554 |
| Assumed exercise of common stock equivalents (1) | 6,920 | 9,400 |
| Assumed conversion of subordinated notes | 10,985 | 8,126 |
| Weighted average common and common equivalent shares | 176,336 | 169,080 |
| Net income | $ 81,297 | $ 84,085 |
| Interest related to convertible subordinated notes, net of tax | 2,850 | 2,120 |
| Earnings available for common stock | $ 84,147 | $ 86,205 |
| PRIMARY EARNINGS PER SHARE | $ 0.48 | $ 0.51 |
| FULLY DILUTED EARNINGS PER SHARE | | |
| Weighted average common and common equivalent shares: | | |
| Weighted average common shares outstanding | 158,431 | 151,554 |
| Assumed exercise of common stock equivalents (1) | 7,215 | 9,625 |
| Assumed conversion of subordinated notes | 10,985 | 8,126 |
| Weighted average common and common equivalent shares | 176,631 | 169,305 |
| Net income | $ 81,297 | $ 84,085 |
| Interest related to convertible subordinated notes, net of tax | 2,850 | 2,120 |
| Earnings available for common stock | $ 84,147 | $ 86,205 |
| FULLY DILUTED EARNINGS PER SHARE | $ 0.48 | $ 0.51 |

(1) Computed based on the treasury stock method.

5
1,000
U.S. DOLLARS

6-MOS
NOV-01-1997
NOV-03-1996
MAY-03-1997
1
234,393
68,198
242,733
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217,779
833,663
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525,933
1,612,840
272,587
310,000
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0
26,715
921,887
1,612,840
592,876
592,876
299,165
299,165
185,462
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6,753
108,396
27,099
81,297
0
0
0
81,297
.48
.48

Asset value represents net amount