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 January 29, 1994

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)

(617) 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 February 25, 1994 was 49,530,241 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	
	January 29, 1994	January 30, 1993
Net sales	$181,088	$151,303
Cost of sales	94,593	78,978
Gross margin	86,495	72,325
Operating expenses:		
Research and development	24,256	21,752
Selling, marketing, general and administrative	40,997	38,671
	65,253	60,423
Operating income	21,242	11,902
Nonoperating expenses:		
Interest expense	1,830	1,527
Other	(28)	215
	1,802	1,742
Income before income taxes	19,440	10,160
Provision for income taxes	4,180	2,032
Net income	$ 15,260	$ 8,128
Shares used to compute earnings per share	50,970	49,637
Earnings per share of common stock	$0.30	$0.16

See accompanying notes.

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

Assets	January 29, 1994	October 30, 1993	January 30, 1993
Cash and cash equivalents	$ 94,363	$ 80,668	$ 22,405
Accounts receivable, net	151,056	145,663	117,074
Inventories:			
Finished good	47,960	51,359	50,626
Work in process	79,939	80,418	71,943
Raw materials	15,160	18,645	25,828
	143,059	150,422	148,397
Prepaid income taxes	22,500	22,207	20,549
Prepaid expenses	5,932	4,240	5,604
Total current assets	416,910	403,200	314,029
Property, plant and equipment, at cost:			
Land and buildings	81,900	81,110	78,214
Machinery and equipment	452,549	451,248	414,780
Office equipment	38,607	33,170	28,738
Leasehold improvements	27,616	26,429	22,524
	600,672	591,957	544,256
Less accumulated depreciation and amortization	357,258	343,527	305,464
Net property, plant and equipment	243,414	248,430	238,792
Intangible assets, net	20,794	21,306	22,864
Deferred charges and other assets	5,497	5,556	4,279
Total other assets	26,291	26,862	27,143
	$ 686,615	$678,492	$579,964

See accompanying notes.

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

Liabilities and Stockholders' Equity	January 29, 1994	October 30, 1993	January 30, 1993
Short-term borrowings and current portion of long-term debt	$ 23,531	$ 2,006	$ 2,424
Obligations under capital leases	342	335	318
Accounts payable	43,501	48,779	43,498
Deferred income on shipments to domestic distributors	17,263	16,417	13,371
Income taxes payable	15,410	15,405	3,738
Accrued liabilities	43,014	49,893	34,798
Total current liabilities	143,061	132,835	98,147
Long-term debt	80,000	100,000	80,000
Noncurrent obligations under capital leases	209	297	551
Deferred income taxes	9,025	8,540	12,860
Other noncurrent liabilities	4,868	4,802	3,901
Total noncurrent liabilities	94,102	113,639	97,312
Commitments and Contingencies			
Stockholders' equity:			
Preferred stock, $1.00 par value, 500,000 shares authorized, none outstanding	-	-	-
Common stock, $.16 2/3 par value, 150,000,000 shares authorized, 51,048,855 shares issued (50,924,637 in October 1993, 50,393,179 in January 1993)	8,508	8,488	8,399
Capital in excess of par value	144,358	143,502	136,268
Retained earnings	302,958	287,698	251,369
Cumulative translation adjustment	5,657	5,473	4,436
	461,481	445,161	400,472
Less 1,573,917 shares in treasury, at cost (1,727,396 in October 1993 and 2,143,466 in January 1993)	12,029	13,143	15,967
Total stockholders' equity	449,452	432,018	384,505
	$686,615	$678,492	$579,964

See accompanying notes.

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

(thousands)	Three Months Ended January 29, 1994	Three Months Ended January 30, 1993
OPERATIONS		
Cash flows from operations:		
Net income	$15,260	$ 8,128
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	15,301	14,240
Deferred income taxes	493	226
Other noncash expenses	816	777
Changes in operating assets and liabilities	(10,555)	(15,296)
Total adjustments	6,055	(53)
Net cash provided by operations	21,315	8,075
INVESTMENTS		
Cash flows from investments:		
Additions to property, plant and equipment, net	(10,047)	(15,438)
Net cash used for investments	(10,047)	(15,438)
FINANCING ACTIVITIES		
Cash flows from financing activities:		
Net increase in variable rate borrowings	1,500	30,192
Proceeds from employee stock plans	869	1,211
Payments on capital lease obligations	(81)	(76)
Payments on fixed rate borrowings	-	(20,048)
Net cash provided by financing activities	2,288	11,279
Effect of exchange rate changes on cash	139	759
Net increase in cash and cash equivalents	13,695	4,675
Cash and cash equivalents at beginning of period	80,668	17,730
Cash and cash equivalents at end of period	$94,363	$22,405
SUPPLEMENTAL INFORMATION		
Cash paid during the period for:		
Income taxes	$ 3,323	$885
Interest	$ 794	$ 1,691

See accompanying notes.

Analog Devices, Inc.
Notes to Condensed Consolidated Financial Statements
January 29, 1994

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 a fair statement of the results for this interim period and should be read in conjunction with the most recent Annual Report to Stockholders.

Note 2 - Litigation

The lawsuit brought by Crystal Semiconductor Corporation ("Crystal") against the Company on November 12, 1992 in the United States District Court for the Western District of Texas (Austin Division) for patent infringement (as previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1993) has been dismissed pursuant to a Memorandum of Understanding executed by Crystal and the Company. The Memorandum of Understanding provides for a cross-license arrangement between the Company and Crystal and the payment of license fees for technology to be used pursuant to this arrangement. The Memorandum of Understanding also provides for the execution of a definitive cross-licensing agreement and, in the event the parties cannot agree to the terms of such definitive agreement, resolution of such terms by binding arbitration. The Company does not believe that compliance with the terms of such cross-licensing agreement will have a material adverse effect on the Company's financial position or overall trends in the results of operations.

Note 3 - Income Taxes

Effective October 31, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). As permitted under the new rules, prior years' financial statements have not been restated. The cumulative effect of adopting FAS 109 as of October 31, 1993 was not material.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, 1993 are as follows:

Deferred tax assets:	
Inventory reserves	$ 7,530
Capital loss carryover	7,371
General business tax credits	5,725
Deferred income on shipments to domestic distributors	4,683
Reserve for employee benefits	3,544
Restricted stock	2,653
Intercompany profits in foreign inventories	1,369
Foreign tax credit	810
Other	2,822
Gross deferred assets	36,507
Valuation allowance	(14,300)
Total deferred tax assets	22,207
Deferred tax liabilities:	
Tax over book depreciation	(7,702)
Other	(838)
Total deferred tax liabilities	(8,540)
Net deferred tax assets	$ 13,667

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

First Quarter of Fiscal 1994 Compared to the First Quarter of Fiscal 1993

Net sales increased 20% to $181.1 million for the first fiscal quarter of 1994, compared to sales of $151.3 million for the first quarter of 1993. First quarter sales growth was strongest for system-level ICs, which increased approximately 55% from the same period last year. Sales growth in this product group continues to be fueled by production ramp-ups in major computer and communications applications. Sales of standard linear ICs increased 9% from the first quarter last year. On a geographic basis, sales were strongest in the Pacific Rim, driven by increased demand for disk drive and computer audio products. Much of the sales growth in the Pacific Rim resulted from design-ins in the United States and Europe. The Company also experienced year-over-year revenue gains in North America and Japan with sales growth in Japan aided by the translation of local currency sales to a weaker U.S. dollar. Sales to Western Europe decreased slightly due to weakened economic conditions.

Sales of new products continued to drive revenue growth with approximately 45% of total orders in the first quarter of 1994 attributable to products introduced over the past five years.

Gross margin at 47.8% of sales was unchanged compared to the first quarter of 1993. R&D expenses for the first quarter of 1994 grew approximately 12% over the same quarter last year but as a percentage of sales decreased to 13.4% , down from 14.4% of sales in the first quarter of 1993. R&D expenditures continue to be focused on only the most promising opportunities where the Company believes it can build a sustainable competitive advantage. R&D spending is expected to increase slightly during the balance of fiscal 1994 reflecting continued investment in high growth opportunities available in computer and communications products. Selling, marketing, general and administrative (SMG&A) expenses grew 6% in absolute dollars compared to the first quarter of 1993, increasing at a much lower rate than sales. As a result, the SMG&A-to-sales ratio declined three percentage points over the past year, in line with the Company's continuing commitment to maintaining tight control over all costs in order to gain good operating leverage on increased revenues.

As a result of the reduction in total operating expenses as a percentage of sales, operating income improved to 11.7% of sales from 7.9% in the first quarter of 1993. In absolute dollars, operating income increased 78%.

Interest expense increased from $1.5 million in the first quarter of 1993 to $1.8 million for the first quarter of 1994 due to a higher level of total borrowings. Interest expense net of interest income was reduced to $1.2 million from $1.4 million one year ago as increased interest expense on a higher level of debt was more than offset by interest income earned on a significantly higher level of invested cash.

The effective income tax rate increased from 20% for the year ago quarter to 21.5% for the first quarter of 1994 due to a shift in the mix of worldwide profits. In the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). The adoption of FAS 109 changes the Company's method of accounting for income taxes from the deferred method to the liability method required by FAS 109. The impact of adopting FAS 109 was not material to the Company's financial position or results of operations. See Note 3 - "Income Taxes" in the Notes to Condensed Consolidated Financial Statements for information concerning the adoption of FAS 109.

The growth in sales and reduction in total operating expenses as a percent of sales resulted in net income of $15.3 million or $0.30 per share, up 88% from $8.1 million or $0.16 per share compared to the year-earlier period.

First Quarter of Fiscal 1994 Compared to the Fourth Quarter of Fiscal 1993

Continuing strength in orders coupled with a strong backlog led to a rise in net sales to $181.1 million for the first quarter of fiscal 1994 from $179.0 million for the fourth quarter of fiscal 1993. The sales increase was principally due to an increase in sales of the Company's system-level IC products which were strongest in the Pacific Rim.

Gross margin improved modestly from 47.4% for the previous quarter to 47.8% of sales for the first quarter of 1994. Gross margin for the Company's standard linear ICs remained at a high level, while gross margin for system-level IC products improved.

R&D expenses were down slightly from $25.0 million last quarter to $24.3 million for the first quarter of 1994, and also down as a percentage of sales from 13.9% to 13.4%. SMG&A expenses were flat to the fourth quarter, decreasing to 22.6% of sales from 22.9% in the prior quarter, despite increased incentive expense and additional marketing expenses associated with new product launches.

Operating income increased 13% from the immediately prior quarter reaching 11.7% of sales compared to 10.5% of sales in the fourth quarter. This performance was partially the result of higher sales, and was aided by some improvement in gross margin and continued tight control over operating expenses.

After nonoperating expenses of $1.8 million, comprised principally of interest expense, and income taxes of $4.2 million, the Company recorded net income of $15.3 million, or $0.30 per share, compared to $14.0 million or $0.28 per share last quarter. Net income improved to 8.4% of sales from 7.8% of sales in the fourth quarter. The effective income tax rate for the first quarter increased to 21.5% compared to an 18% rate for in the prior quarter reflecting a shift in the mix of worldwide profits to higher tax rate jurisdictions including the U.S.

Liquidity and Capital Resources

As of January 29, 1994, cash and cash equivalents were $94.4 million, an increase of $13.7 million and $72.0 million from the end of the fourth and first quarters of 1993, respectively. The increase in cash from the end of fiscal 1993 was due primarily to cash generated by operations while the increase in cash from the year ago quarter reflected both a substantial improvement in cash provided from operations over the past year and an increase in cash generated from financing activities.

Cash provided by operating activities was $21.3 million, or 11.8% of sales, in the first quarter of 1994 compared to $8.1 million, or 5.3% of sales in the first quarter of 1993.

The increase in operating cash flows from the year earlier period was principally attributable to higher net income and a reduction in net working capital requirements resulting mainly from a reduction in inventories of $7.4 million during the first quarter of 1994. Inventories were also reduced $5.3 million from the first quarter of 1993.

Accounts receivable of $151.1 million increased 3.7% or $5.4 million from the end of fiscal 1993 due to the increase in sales as well as a higher level of quarter-end shipments. Accounts receivable rose 29% or $34.0 million from the first quarter of 1993. The primary factors contributing to the year-over-year increase were the 20% growth in sales between the two quarters and elimination of a prompt payment discount to domestic distributors during the fourth quarter of 1993 which altered the distributor payment cycle.

Cash flow from operations was used largely to fund capital expenditures of $10.0 million for the first quarter of 1994. Additions to property, plant and equipment for fiscal 1994 are currently estimated to be $90 million and directed principally toward continued investments in equipment to improve and increase manufacturing and test capabilities and capacity. The Company expects to finance its planned 1994 capital additions with existing cash and cash equivalent balances together with internally generated cash.

The Company believes that its strong financial condition, existing sources of liquidity, available capital resources and cash expected to be generated from operations leave it well positioned to obtain the funds required to meet its current and future business requirements.

PART II - OTHER INFORMATION
ANALOG DEVICES, INC.

Item 1. Legal Proceedings

The lawsuit brought by Crystal Semiconductor Corporation ("Crystal") against the Company on November 12, 1992 in the United States District Court for the Western District of Texas (Austin Division) for patent infringement (as previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1993) has been dismissed pursuant to a Memorandum of Understanding executed by Crystal and the Company. The Memorandum of Understanding provides for a cross-license arrangement between the Company and Crystal and the payment of license fees for technology to be used pursuant to this arrangement. The Memorandum of Understanding also provides for the execution of a definitive cross-licensing agreement and, in the event the parties cannot agree to the terms of such definitive agreement, resolution of such terms by binding arbitration.

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

At the Annual Meeting of Stockholders held on March 8, 1994 the stockholders of the Company elected Messrs. Philip L. Lowe, 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
Philip L. Lowe	38,574,472	121,861	-0-
Joel Moses	38,635,757	60,576	-0-
Lester C. Thurow	38,630,747	65,586	-0-

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None
(b) There were no reports on Form 8-K filed for the three months ended January 29, 1994.

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: March 11, 1994

By: /s/ RAY STATA

Ray Stata
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: March 11, 1994

By: /s/ JOSEPH E. MCDONOUGH

Joseph E. McDonough
Vice President-Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)